“Made in Kalmar”
A Case Study about the Fanerdun Establishment in Kalmar

Bachelor Thesis within Business Administration

Authors: Jenny Englund
        Andrea Merker
        Martina Ölund

Tutor: Jens Hultman

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Abstract

The Swedish town Kalmar suffered from economic cutbacks during the 1990’s and many local companies left the region resulting in a decrease in population. Local authorities therefore set goals of regional development and an economic turn was thought to come with foreign investments.

Fanerdun is one of the Chinese firms recently interested in investing in the Swedish market, more specifically in Kalmar. Its business idea is to build a convention centre where approximately 1000 Chinese suppliers will sell light industry products to companies in the Baltic Sea region and Northern Europe.

The establishment process is of value to study since the economically strained Kalmar region managed to attract such a large investment and Fanerdun’s reasons behind its choice of location for the establishment are not apparent. The purpose of this thesis is to answer the questions why and how the convention centre was realised in Kalmar. Both given and created factors are taken into account.

To fulfill the purpose, a case study using a qualitative method with an abductive approach was used. Primary data was collected through interviews with different involved actors to give a complete picture from various perspectives. This approach is referred to as triangulation and was also present in the frame of reference. Three different theory fields; regional network, internationalisation and guanxi were appropriate to describe the complexity of the establishment process.

The conclusion includes the given and created factors that led to Fanerdun’s establishment in Kalmar. The given factors are; location in Europe and the Baltic Sea region, low corporate tax, low investment costs, infrastructure capabilities and small town advantage. From the analysis, created factors became clear. One common feature found to be a central factor was relationships between people, organisations and regions. From Kalmar’s perspective, the regional network anticipation explains why the establishment was realised. To answer how, the three developing regional networks; Changxing-Kalmar, Baltic Sea region and Kalmar region itself together played essential roles. From Fanerdun’s perspective, why and how Kalmar was chosen as location for its international establishment is interlinked. Different internationalisation drives were characterised by commitment, shared knowledge and mutual dependency between Fanerdun and Kalmar representatives. The presence of guanxi, a Chinese concept of relationship cultivation, was a specific aspect for the realisation of the convention centre.
# Table of Contents

1 Introduction ................................................................................................................. 1  
  1.1 Background .............................................................................................................. 1  
  1.2 Problem Discussion ............................................................................................... 1  
  1.3 Purpose .................................................................................................................... 2  
  1.4 Perspective .............................................................................................................. 2  
  1.5 Definitions .............................................................................................................. 3  

2 Preface to the Establishment ....................................................................................... 4  
  2.1 Kalmar’s Economic Situation .................................................................................. 4  
  2.2 Fanerdun .................................................................................................................. 4  

3 Methodology ............................................................................................................... 5  
  3.1 Case Study ............................................................................................................... 5  
  3.2 Quantitative vs. Qualitative .................................................................................... 5  
  3.3 Induction vs. Deduction .......................................................................................... 5  
  3.4 Data collection ........................................................................................................ 6  
  3.5 Data Analysis through Triangulation .................................................................... 8  
  3.6 Reliability, Validity and Limitations ....................................................................... 10  

4 Empirical Findings .................................................................................................... 12  
  4.1 Preconditions of Kalmar ....................................................................................... 12  
  4.2 ISA focus on Chinese Investors ............................................................................ 13  
  4.3 Kalmar and Changxing Region Collaboration .................................................... 13  
  4.4 When Gustafson met Luo ....................................................................................... 14  
  4.5 Investment Decision Criteria ............................................................................... 14  
  4.6 Current State of the Project .................................................................................. 16  
  4.7 Benefits for Kalmar and Fanerdun ....................................................................... 18  
  4.8 Risks ....................................................................................................................... 19  
  4.9 Local Firms in Kalmar ......................................................................................... 19  

5 Frame of Reference .................................................................................................. 21  
  5.1 Regional Network .................................................................................................. 21  
    5.1.1 Business and Social Networks ......................................................................... 21  
    5.1.2 Background to Regional Networks ................................................................... 22  
    5.1.3 Creating a Regional Network ......................................................................... 22  
    5.1.4 Limitations to Network .................................................................................... 23  
  5.2 Internationalisation ................................................................................................ 24  
    5.2.1 The Uppsala Model ......................................................................................... 24  
    5.2.2 Critiques and Need for a New Model ............................................................ 25  
    5.2.3 The Network Approach ................................................................................ 25  
  5.3 Guanxi - Importance of Relations in China .......................................................... 28  
    5.3.1 The Concept and its Roots ............................................................................. 28  
    5.3.2 How to Create Guanxi and its Benefits ....................................................... 28  
  5.4 Common Aspect of Theories ................................................................................ 30  

6 Analysis ...................................................................................................................... 31  
  6.1 Regional Network Development ........................................................................... 31  
    6.1.1 Networks ........................................................................................................ 31
6.1.2 Preconditions to a Regional Network in Kalmar ............... 32
6.1.3 Regional Network Development in Kalmar .................... 33
6.2 Internationalisation ................................................................ 35
  6.2.1 Internationalisation of Fanerdun Co., Ltd ..................... 35
  6.2.2 The Initiation of the Fanerdun Establishment .................. 36
  6.2.3 Impact of the Relationship to Gustafson ....................... 37
  6.2.4 Knowledge & Commitment: Mutual Dependency .......... 38
  6.2.5 Psychic Distance ...................................................... 39
6.3 Guanxi ............................................................................. 40
  6.3.1 Guanxi to Establishment ........................................... 40
  6.3.2 Guanxi to more Investments ...................................... 40
7 Conclusions ........................................................................... 42
8 Final Discussion ...................................................................... 44
  8.1 Reflections .......................................................... 44
  8.2 Future Research ......................................................... 45
References .................................................................................. 46
Appendix ..................................................................................... 50
Figures
Figure 1-1 Chinese Establishments in Sweden during the Last Year .......... 2
Figure 1-2 Key Players in the Kalmar Project ........................................... 3
Figure 3-1 Induction vs. Deduction ............................................................. 5
Figure 3-2 Components of Data Analysis: Interactive Model ...................... 9
Figure 4-1 Disposition of Events that led to the Establishment ................... 12
Figure 4-2 Kalmar’s Location in Europe .................................................... 16
Figure 5-1 Disposition of Theory ................................................................. 21
Figure 5-2 Initiation of Internationalisation as a Result of Social Networks ... 27
Figure 5-3 Common Aspect of all Theories Used ......................................... 30
Figure 6-1 Overview of Relationships of this Case Study ............................ 32
Figure 6-2 Factors leading to Regional Network in Kalmar ......................... 34
Figure 6-3 The Initiation of Fanerdun’s Internationalisation as a Result of Social Networks ......................................................................................... 37

Tables
Table 3-1 Choice of Interviewees ................................................................. 6
Table 3-2 Local Firms Interviewed ............................................................. 8
Table 3-3 Suggestion of other Persons Valuable to Interview .................... 10

Appendices
Appendix 1 – Fanerdun Co., Ltd. Group Structure ...................................... 50
Appendix 2 – Interview Agenda, Thomas Davidsson ................................. 51
Appendix 3 – Interview Agenda, Kalmar representatives ........................... 52
Appendix 4 – Interview Agenda, Fanerdun ............................................... 53
Appendix 5 – Interview Agenda, Local Firms ........................................... 54
1 Introduction

This thesis is an empirical study of the establishment of a convention centre in Kalmar. This first chapter gives a short insight into the problem, which will further lead to our purpose.

“Chinese venture to create 800 jobs” wrote Invest in Sweden Agency (ISA) in a press release on August 21st 2006 (ISA, 2006a). Further it was reported that the town of Kalmar sold properties to a Chinese company Fanerdun and the investment, worth several million Swedish Kronor, covers the establishment of a convention centre in Kalmar (Andersson, 2006a). This project is seen as an emporium where 1000 Chinese firms will have direct access to Swedish and European customers and is characterised, by the local media, as Kalmar’s “biggest business project ever” (Andersson, 2006b).

1.1 Background

For the last decades, many Western companies have been showing interest in the Chinese market, the “world’s largest emerging market with more than one billion customers” (Fang & Ghauri, 2001, p. 303). According to Webber, Wang and Ying (2002) China’s symbol of its economic involvement has become ‘Made in China’, which in turn has developed into a famous image in people’s mind.

Further, Yeung (1999) claims that globalisation has become an important issue since global players seem to come closer to each other in terms of communication and business attitude. China is seen as one of the current main actors on the global market and its firms strive to expand as broad as possible to gain better economic advantages. However, studies about this are relatively recent and rare, especially about Chinese firms entering the European market.

According to the Chinese Embassy (2004) in Stockholm, China and Sweden have been continuously developing their relations after Sweden recognised China in the 1950’s. 30 years later, Sweden started investing directly in China and reduced trading barriers by lifting quoting restrictions on various products. During recent years, many Swedish corporations invest in China in form of joint-ventures or by moving their production facilities to China.

During the 1990’s Kalmar, a town in the South-East of Sweden, suffered from economic cutbacks. That is why local authorities have been trying to find ways to stimulate economic growth, enabling Kalmar to offer many opportunities for various business investments (Regional Council in Kalmar County, 2006a). With its location by the Baltic Sea, it can also be seen as a hub for many logistic activities to the Baltic States, Northern, Central and Eastern Europe as well as Russia. According to ISA (2006b), the Baltic Sea region is rich in growth with many business opportunities present.

1.2 Problem Discussion

In a study on regional development, Markusen (1996) wonders why and how some places manage to sustain investment and economic growth, while others do not. Fanerdun’s investment is the largest one Kalmar has ever experienced (Andersson, 2006b) and there is a general interest in searching for reasons why the economically strained Kalmar region could manage to attract such an investor.
Furthermore, we could find many studies done on Western companies trying to enter the Chinese market, such as Volvo and IKEA; whereas the reverse, namely Chinese firms trying to settle in Europe rarely are found. Yeung and Olds (2000) support this observation and claim that earlier research of Chinese business firms’ operations have been constricted to those within China. New theoretical insights are important as Chinese businesses are undertaking global expansion. ISA (2006c) has also noticed a trend in Chinese companies showing interest in investing in Sweden (retrieved from SVT, 2006).

This can also be seen in figure 1-1.

Fanerdun is one of the Chinese companies recently interested in investing in the Swedish market. Here, the firm’s business idea; to build a convention centre to bring Chinese suppliers closer to their European customers, is a new phenomenon for Sweden. Fanerdun’s reasons for choosing the small town of Kalmar as its investment location are not apparent and that is why we wonder how different actors, Chinese and local, started cooperating to establish this project in Kalmar.

1.3 Purpose
The purpose of this thesis is to answer the questions why and how Fanerdun’s convention centre was realised in Kalmar.

1.4 Perspective
To guide the reader, a perspective of our purpose is needed. Firstly, with ‘realised’ we refer to the end of November 2006, when Chinese construction workers arrived to start building the centre in Kalmar. Secondly, the establishment process will be examined through triangulation, a broad perspective of data (Darmer & Freytag, 1995) analysed with diverse theories (Arksey & Knight, 1999), and the different key actors of this establishment are visualised in figure 1-2.
Furthermore, we differentiate between given and created factors that led to the establishment. *Given* refer to obvious and already existing conditions present. *Created* ones include factors that can be generated or influenced by conscious and/or unconscious actions. This study will present both factors’ contribution to the establishment. However, the analysis will focus only on *created* factors, since these are less apparent.

### 1.5 Definitions

When mentioning these concepts we refer to the following.

**Regional Network:** the concentration of institutions and firms in a certain region that are interlinked to maintain competitive advantage (Porter, 1998; Jarillo, 1988, cited in Lechner & Dowling, 1999).

**Guanxi:** a Chinese culture characteristic emphasising on the importance and the cultivation of relationships (Wong & Leung, 2001).

The concepts will be explained further in our frame of reference.


2 Preface to the Establishment

To make it easier for the reader to follow this thesis, the following section will give a background to the Kalmar region and Fanerdun.

2.1 Kalmar’s Economic Situation

Over the last fifteen years, Kalmar has suffered from cut downs in several industries. Large corporations such as Volvo, Electrolux, Ericsson, Bombardier and Candelia left the region one by one. That is why local authorities decided to focus on attracting commerce and service industry investors, hoping to change the composition of industry and thereby create economic growth (Magnus Gustafson, personal communication, 2006-10-11).

Further Gustafson, Investment Promotion Manager at the Regional Council in Kalmar County, claims that as an indirect effect of the shutdowns in Kalmar, the population started to decrease through emigration. Hence, the Regional Council in Kalmar County set a goal of reaching a population of 70 000 from current 61 000 inhabitants. To achieve this, development and growth in the region had to be created and it was thought to come with foreign investors. In addition, an expansion within the tourism industry was aimed to bring money as well as jobs to the region. The Regional Council in Kalmar County has been anticipating a turn from the negative cycle; meaning the region is on its way to reach the goals.

2.2 Fanerdun

The Chinese company behind the investment in Kalmar is Fanerdun Co., Ltd., which was founded in 1996 by JingXing Luo. Today, the company, with its headquarter in Hangzhou, Changxing province, runs twelve enterprises in six different industries with help of its 3000 employees. Sunny Mah, Vice President of Fanerdun in Sweden (personal communication, 2006-10-11), clarifies that in China, and especially within the Changxing province, the firm possesses a large network with its business partners. This Asian conglomerate is mostly active within engine and car industries as well as construction and real estate. The latter is the focus of our case study.

In China, the firm already established nine real estate businesses during the past years, but the competition within this industry is fierce and leaves little space for more establishments (Mah, personal communication, 2006-10-11). Luo, on the other hand, was eager to expand and invest into the European market, which offered an opportunity for his business idea. To be able to conduct a similar business in Sweden, the Swedish public company Fanerdun Group AB (Fanerdun) had to be established. The name of Fanerdun’s centre is Swedish Chinese Commodity Wholesale Market, but in the thesis it will be referred to as the convention centre.
3 Methodology

Designing research is a “logical plan for getting from here to there” (Yin, 2003, p. 20). In this chapter we will briefly present how we acquired knowledge and data about the establishment in order to answer our purpose. An overview of the main methodological approaches used will be linked to our process of getting from here to there, from problem to conclusion.

3.1 Case Study

The foundation of our research concerned the questions why and how Fanerdun’s convention centre was realised in Kalmar. These types of questions often lead researchers into doing an explanatory case study since no historical records are available (Yin, 2003). Our case study concerns the process between Kalmar and Fanerdun that led to the establishment, from the initial contact until Chinese construction workers arrived. We decided to focus on this time frame of the process since we aim to draw valuable conclusions instead of speculating about future events. As we aimed to get a holistic picture of the actors’ diverse views and goals in this specific project, a case study type of research was appropriate.

3.2 Quantitative vs. Qualitative

Darmer and Freytag (1995) discuss that the terms quantitative and qualitative research differ when it comes to the characteristics of the data collected. A quantitative study is based on many respondents and is explicable in numbers or quantity measurements, thus is not relevant for our study. On the other hand, a qualitative method provides depth to an analysis and can not be shown as the former; instead few respondents provide data of many variables shown in descriptive words. Since our study is an interview based study of one project, the natural choice was using a qualitative technique to create a deeper understanding of this rather unique process.

3.3 Induction vs. Deduction

Developing a research like this is based on the interplay between a theoretical background and a specific empirical problem formulation (Darmer & Freytag, 1995). There are commonly two ways of approaching research, deduction or induction. Using deduction means having theories as a foundation of the research, and testing if they agree with reality. With an inductive approach, researchers observe reality to draw conclusions that may or may not agree with existing theories (Chalmers, 1999).

![Figure 3-1 Induction vs. Deduction](Chalmers, 1999, p.54)
The relation between theory and empirical findings can often be interlinked and may proceed in parallel along the research process. Our thesis had a clear direction and a broad spectrum of theories was scanned before any empirical data was collected. However, as no defined theories constituted the base of our research, we gathered theories gradually to suit our purpose. Patel and Davidsson (2003) define this combination of approaches as abduction, where the case to be studied is a starting point for a theoretical framework. We aimed to describe this project through theories rather than to test the accuracy of a theory. However, since data and theory collection was done at the same time, we can still refer to our research method as abduction.

3.4 Data collection

To locate the main actors behind the Fanerdun investment, and thus finding who to examine empirically, we started to scan secondary sources. Barometern – Oskarshamn Tidning, a local newspaper, reports regularly about the Fanerdun project, which was helpful to get an idea about potential interviewees. Through these articles our data reduction began since we could distinguish the main actors involved; ISA, the Regional Council in Kalmar County, the Municipality of Kalmar and Fanerdun. To get more background information about those actors we consulted their homepages, which supported our preparation for the interviews conducted.

Primary data was collected through face-to-face, telephone and e-mail interviews with representatives from the chosen actors. Table 3-1 gives an overview about name, position in the representing organisation, date and place of interview of all main interviewees. In addition, it should be noted that each person’s role in the project was the main criteria and reason for this selection.
Since these respondents represent important roles in the process of the establishment, almost all of them were interviewed in person. That was important for us since attitudes and feelings are impossible to grasp without personal meetings. Yin (2003) confirms that individual behaviour is difficult to record without personal contact. This aspect was also important when we participated in a Fanerdun project information meeting for local firms, organised by the Municipality of Kalmar. Here, perceptions from the partakers were observed by their active participation. Firstly, we got a rough idea about the opinion of locals, which was so far missing, and secondly, got in contact with some local firms present. Table 3-2 shows the firms that were later called and asked for personal inputs, which the meeting itself had no time for. It should also be noted that our sample size of local firms is rather small, but in our opinion sufficient to answer our purpose. Since none of the asked firms was involved in the initiation of the establishment, the aim of these interviews was mainly to get a general picture of their view about the convention centre.
Table 3-2 Local Firms Interviewed

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Kind of Business</th>
<th>Date &amp; Length of Interview</th>
</tr>
</thead>
<tbody>
<tr>
<td>Semantix AB</td>
<td>Translation and Language Services</td>
<td>2006-11-30, 15 min</td>
</tr>
<tr>
<td>Öland på Internet AB</td>
<td>Journalism Services for the Tourism Industry</td>
<td>2006-11-30, 15 min</td>
</tr>
<tr>
<td>Medverket</td>
<td>Organisation for Community Services</td>
<td>2006-12-01, 10 min</td>
</tr>
<tr>
<td>SIF</td>
<td>National Trade Union</td>
<td>2006-12-04, 15 min</td>
</tr>
<tr>
<td>Habana Expo Event</td>
<td>Event Organiser</td>
<td>2006-12-04, 10 min</td>
</tr>
<tr>
<td>WTB Import AB</td>
<td>Import and Wholesale of Flowers</td>
<td>2006-12-05, 10 min</td>
</tr>
</tbody>
</table>

The two main reasons for collecting data partly through phone and e-mail were; physical distance to interviewees and the scope of contribution in relation to the cost associated with collecting the data. This refers mainly to interviewing people that were not directly involved in the establishment, which is why data collection by telephone or mail was seen as more appropriate than trips to Stockholm or more visits to Kalmar. Also, follow-up interviews by telephone and e-mail were helpful for specific complimentary questions.

An agenda was prepared for each interview and sent to the respondent a few days ahead. The respondent was therefore able to prepare answers and material, and we could benefit from comprehensive and relevant answers. During the interviews, we had the focus of our thesis in mind but as we wanted to maximise our understanding of the process and the roles of the actors, we kept the interviews semi-structured. A semi-structured interview is according to Arksey and Knight (1999) structured around key questions that work as a guide but the actual interview is performed more as a discussion. It should be noted that this could also have had a negative influence on our data collection, since we as well as the respondent had a distinct imagination about the content of the interview. Hence, all interviews were limited to the issues addressed in the agenda, leaving little room for other considerations. Therefore, follow-up interviews were sometimes necessary to complement these vacancies. In addition, all main interviews were recorded as well as transcribed to be able to justify what was said and to extract quotations.

From the first interviews, an insight into the project could be gained, which was further helpful when choosing appropriate theory fields that could explain the process of the establishment. To find suitable theories, search engines and data bases such as GoogleScholar, JULIA and ABI Inform were consulted. Here, combinations of the following words were used; “network”, “regional network”, “regional development”, “internationalisation”, “Chinese firm”, “guanxi”, “foreign market entry”, “establishment” and “initiation”.

3.5 Data Analysis through Triangulation

Miles and Huberman (1994) explain that the components of the data analysis, after collecting the data, are the following; data reduction, data display and drawing of conclusions. These stages are all progressing simultaneously. This is visualised in figure 3-2.
Methodology

Data reduction is performed throughout the analysis and starts before even collecting the data, by preparing questions and setting up a framework. Along the process, selection and clarification of the findings will lead up to the display phase (Miles & Huberman, 1994). These aspects were applied in our thesis since throughout the collection of empirical data it became clear what findings were relevant. When researchers come to the display phase, the information needs to be organised and displayed in a clear way so that a better analysis can be performed. Conclusions are drawn based on the analysis of the gathered data, but it is important that researchers stay open and include scepticism (Miles & Huberman, 1994). In our thesis, the empirical findings are placed before the frame of reference. Prior to the interviews we had too little knowledge about the establishment and could not decide on what theories to use. In our opinion, it is easier for the reader to understand our choice of theories if the empirical findings are read first.

Since we aimed to understand the Chinese convention centre project in Kalmar from various angles while comparing different actors’ perspectives, one research concept would not capture the scope of our study. That is why we tried to approach our purpose through several means and theories, which is also known as triangulation. Denzin (1978) defined the concept triangulation as “the combination of methodologies in the study of the same phenomenon” (cited in Darmer & Freytag, 1995, p. 127). The idea here is to view the problem or research area from different actors’ perspectives through a combination of empirical data. As described earlier, we collected empirical findings from ISA, the Regional Council, Kalmar Municipality, Fanerdun and local firms. When several actors with diverse interests are taken into account, triangulation as a method offers a comparative aspect. Arksey and Knight (1999) further develop triangulation by adding the use of a broad spectrum of theories to the same data set. Our theories come from three different research fields; regional networks, internationalisation and the concept of guanxi.

Arksey and Knight (1999) further state that with a triangulation approach, researchers can reduce the risk of drawing incomplete conclusions since the variety of data and theories complement or conflict each other. We decided to interview several persons from the same organisation to find complementing and differing point of views among all people involved in the process. Also, this broadened our knowledge about the project and confirmed our empirical findings. Through conflicting information our analytical section led to new thinking and new aspects of used theories. This explained the complexity of the project better. In other words, this approach strengthened our results in terms of reliability and validity.
3.6 Reliability, Validity and Limitations

Reliability and validity are two central concepts in academic research when measuring the trustworthiness of the findings. According to Brewerton and Millward (2001), reliability refers to the data consistency across the research process, whereas validity measures whether or not the findings presented are relevant to the purpose.

Miles and Huberman (1994) define reliability as a kind of quality control of time limit, researchers, methods and data. The reliability of our thesis could have been affected by the time constraint that limited us in our research, in terms of quality and analysis depth. We could, for example, not interview all people involved in this project. Table 3-3 gives a suggestion of other people worth interviewing due to their role in the establishment. In addition, reasons for why these people were not asked can be found.

<table>
<thead>
<tr>
<th>Organisation</th>
<th>Name of Interviewee</th>
<th>Position in Organisation</th>
<th>Role in the Project</th>
</tr>
</thead>
<tbody>
<tr>
<td>Invest in Sweden Agency (ISA)</td>
<td>Chen, Eddie</td>
<td>Director and Chief Representative, Shanghai, China</td>
<td>Chen had the initial contact with Luo and gave him support during the weeks of his foreign investment considerations. Unfortunately, we could not directly talk to Chen. Instead we talked to Rembe.</td>
</tr>
<tr>
<td>Fanerdun</td>
<td>Luo, Jingxing</td>
<td>President and CEO</td>
<td>Due to Luo’s status in the firm, Chinese CEO, and the distance to China it was unfortunately not possible to interview him personally. That is why we used Mah’s opinion and position in the project as Fanerdun’s perspective, mainly because Mah acts as an agent for Luo and on his behalf.</td>
</tr>
<tr>
<td>Changxing province</td>
<td>Wang, Jue</td>
<td>Representative of Changxing province in Kalmar</td>
<td>Since 2005, Wang has been working with local authorities to evaluate business opportunities in the Kalmar region that could later be communicated to Luo. With his office in the Regional Council, he has daily contact with Gustafson. Unfortunately, we did not get hold of him or any other representative of Changxing.</td>
</tr>
</tbody>
</table>

The fact that we could not interview any representative from Changxing province is a weakness of this thesis since its involvement was important for Fanerdun’s establishment. Nevertheless, we interviewed different people from different organisations with different interests to increase the reliability of this thesis. All respondents had diverse roles and responsibilities in the project which was necessary to get a comprehensive picture of the process as a whole. It should be noted that all respondents were interviewed individually and therefore had a chance to express their own opinion about the project without any influence of other respondents. Due to different mother tongues, individual interviews also helped us as well as the respondent to concentrate on and understand the discussion. Still, it has to be mentioned that this thesis might suffer from possible translation and/or misunderstanding biases created by language barriers. This problem includes our ability as well as some respondents’ language skills, since all interviews were conducted in or translated to English. This problem was approached by the fact that all authors were present at all main interviews, thus the probability of misunderstandings was decreased. Further, we tried to ask for clarifications or further information if problematic or unclear answers were given from a respondent. Also, all main respondents were given the opportunity to read this thesis before it was printed to reduce misunderstandings and verify the facts.
Methodology

In addition, we interviewed academics whose research focus is on Chinese businesses to get neutral opinions about our case study. Their answers were helpful to understand Chinese business aspects, but their knowledge about this establishment was not sufficient to contribute to answering our purpose. Their given information is therefore not mentioned in the thesis.

Miles and Huberman (1994) further divide the concept of validity into internal and external validity. Internal validity deals with the logic behind the study, if it makes sense to readers and to whom we study. External validity, on the other hand, question if the conclusions are applicable to others and if they can be generalised. Here, our gained knowledge about this project may yield conclusions that differ from what the actors interviewed perceive. Their responsibilities in the project give them in depth expertise but also limit their knowledge to their role in the establishment process. We, on the other hand, gained a broader insight into the project and could therefore do a more objective analysis. However, it has to be mentioned that our analysis was influenced by academic literature. Also, this thesis is based upon a case study and the external validity may therefore be questioned. Still, our findings may be applicable to Chinese companies entering the Swedish market and Swedish counties that are or will be experiencing Chinese investments.
4 Empirical Findings

This section will summarise the data collected from all interviews. To make it easier for the reader we will explain the process in chronological order as can be seen in figure 4-1.

The interviews in this section were conducted with representatives from Swedish and Chinese organisations that influenced why and how the establishment was realised in Kalmar, found in table 3-1. In this section, we refer to the organisations instead of to the individuals, since people within an organisation share the same interest and work towards a common goal in the establishment process.

When quoting a respondent, his/her position in the organisation is used instead of his/her role in the project since the roles are often undefined. Some quotations are translated from Swedish into English.

It has to be mentioned that the Fanerdun establishment is an ongoing process and this thesis focuses on its initiation. The convention centre itself is thought to open fall 2007. Figure 4-1 summarises the main events that contributed to the establishment.

![Figure 4-1 Disposition of Events that led to the Establishment](own model)

4.1 Preconditions of Kalmar

It should be noted that the Regional Council and the Municipality of Kalmar are two important actors for the development of the Kalmar region. The Regional Council in Kalmar County is a politically governed organisation, owned by Kalmar Municipality, the Swedish government and the European Union. Its mission is to develop and create growth in the region, in areas such as education, business relations and tourism (Regional Council in Kalmar County, 2006b). Kalmar Municipality deals with activities in society and industry on a regional basis and its service is financed by tax revenue. Education, health care, and employment are a few of the areas of its responsibility (Kalmar Municipality, 2006).

Since the 1980’s, Kalmar has been focusing on enhancing its relations in the Baltic Sea region by cultural and business exchanges. Kalmar, together with Stockholm, Gothenburg, and Umeå has the most international exchange in Sweden, says the Municipality. Much of it comes from the interactions with the countries in the Baltic Sea region.

The Municipality further explains that this kind of network, as developing in the Baltic Sea region, starts on a political level and develops into cooperation between organisations and industries. The politicians opens up the possibilities for collaborations, but it is then up to companies to continue the process of creating the network. Persson, Chairman of the Municipality Board, says:
Empirical Findings

“Politics can open the door for industrial and regional networks.”

The Municipality states that Kalmar was the only county in Sweden that at the time had a regional capacity to receive such a large establishment that Fanerdun’s is. Kalmar is capable of receiving foreign establishments of this size due to its focus on attracting international investors. This is a strategy in order to reach earlier stated goals of the region; economic growth and increased population. Such an investment, for example, could possibly result in synergy effects that consequently could create growth and development in the region.

4.2 ISA focus on Chinese Investors

Invest in Sweden Agency (ISA, 2006d) is a governmental organisation that advises as well as assists foreign investors about business opportunities in Sweden. Its main goal is to attract foreign investors. With its national and international network, ISA can give supportive, free-of charge assistance.

In 2001, ISA decided to start focusing on attracting Chinese investors. In China, ISA tried to find local actors that had knowledge about the Chinese market and that could represent ISA’s interests. These operations were supported by the Swedish Embassy in Beijing and several Swedish Consulates in China (ISA, 2002). ISA’s main assumption for this venture was that Chinese firms seek to invest in Europe to better reach a new market and its customers. When Chinese companies are looking for a gateway to Europe, Sweden is often viewed as a good alternative due to our open society, good business relationships and well functioning infrastructure.

In 2002 ISA started, in cooperation with regional actors such as Swedish regional councils, investment promotions in China. For this venture, instead of establishing own offices in each Swedish region, ISA tried to find local actors in order to provide appropriate and helpful contacts to potential investors. ISA claims that through the foreign networks that it creates, initial contacts with possible investors are made. The Regional Council realised that China and Chinese firms could offer many prospects to the Swedish market and its firms. This is why it decided to support this project by providing local contacts. Persson, Chairman of the Municipality Board adds that:

“Fanerdun is the largest establishment in Kalmar, and also ISA’s largest project accomplished.”

Furthermore, the decision to participate in ISA’s venture was seen as possible responds to the economic situation in the Kalmar region. The Regional Council sees the openings of IKEA in Kalmar and Holiday Club, a resort, in Västervik as additional signs for achieving the goals of growth in population and economic activities.

4.3 Kalmar and Changxing Region Collaboration

As a result of ISA’s venture, Kalmar and Changxing province started in 2004, a collaboration seeking to create and facilitate exchange within business and trade as well as within research and education between firms from both regions (China Baltic Business Forum, 2006). As a result, Changxing province opened a representative office in Kalmar’s Regional Council one year later. From this office, Swedish as well as Chinese investors could find assistance and regional authorities could develop the cooperation and Persson, Chairman of the Municipality Board, explains that:
“If we had not had the collaboration with Changxing province, I do not think that we would have had Fanerdun either.”

This agreement also resulted in a yearly forum, which should promote their work. Its focus is to stimulate business relationships between companies in the two regions. This is done with help of matchmaking between Chinese and Swedish companies that might benefit from each other. In 2005, the first forum, the Yangtze Delta River Forum, was held in the Chinese province and included among others representatives from the Regional Council in Kalmar County (China Baltic Sea Business Forum, 2006). During this forum, several agreements were signed. The Regional Council adds that the Swedish Inventor’s Association, among others, started collaborating with Changxing’s local research authority to make Chinese investors aware of Swedish inventions and bring them to the Chinese market. Also, the Baltic Business School in Kalmar agreed to arrange educational projects for Chinese business people on management, environmental aspects and business culture. In 2006, 87 percent of the participants of the China Baltic Business Forum made new contacts or direct business relationships. The Regional Council states that the forum has a long term perspective and its expectation is that Swedish-Chinese collaborations will increase.

### 4.4 When Gustafson met Luo

Gustafson, Investment Promotion Manager for the Regional Council in Kalmar County, says that during the Yangtze River Delta Forum in 2005, the first contact with Luo, President and CEO of Fanerdun, was established through matchmaking. After this, Gustafson stayed in China to learn more about Luo’s interest in the European and Swedish market. As a result, both men met occasionally during the coming months where business opportunities, in particular the investment in West Baltic Holding in Västervik, were discussed. In addition, these meetings helped to build trust between both men.

The Regional Council’s main criteria for cooperating with Fanerdun were the firm’s reliability and financial capabilities. As Asian companies do not commonly release annual reports as explicitly as in Europe, Gustafson used his network in China to investigate the state of Fanerdun. His research findings convinced him to continue the cooperation.

In August 2006, Gustafson met Luo again to finalise Fanerdun’s investment in West Baltic Holding in Västervik. Gustafson also found out that the Chinese investor was serious about plans for a convention centre in Kalmar. Hence, Gustafson informed the Municipality about Luo’s consideration to invest and buy land. After three days of negotiations, Kalmar Municipality agreed to sell several properties to the Chinese investor.

### 4.5 Investment Decision Criteria

In China, Fanerdun is operating in various industries; the group structure can be found in appendix 1. Fanerdun points out that a few divisions have collaborations and export activities with Malaysia and Germany. The real estate division, however, has no international experience, which is confirmed by Mah, Vice President of Fanerdun in Kalmar:

> “Kalmar is our first international investment and a business opportunity in Europe.”

The Chinese market for convention centres of this kind is characterised by strong competition and it is a mature market that leaves little room for more establishments. The CEO of
Empirical Findings

Fanerdun saw a business idea in bringing the Chinese market closer to its customers in Europe, and that is the initial reason why he is now establishing a convention centre in Kalmar. Fust, the CFO of Fanerdun in Kalmar, characterises Luo as follows:

“I perceive Mr. Luo as a classic entrepreneur who has an extensive drive and enthusiasm in everything he does.”

The overall project includes a line of apartments, a hotel and an area where the convention centre will be found. This project aims to bring approximately 1000 Chinese firms to Sweden. The Chinese firms will buy a showroom in the centre as well as apartments in Kalmar. When the convention centre opens, Swedish and European companies can buy light industry products, over the counter or by direct orders, for competitive prices instead of travelling to China. Hence, also small companies will have the chance to do business with Chinese suppliers. Luo decided to copy the Chinese model, in smaller dimension, to Europe and Kalmar and Mah, Vice President of Fanderun in Kalmar, makes a comparison:

“In China, the norm is 50 000 showrooms, in Kalmar there will only be 1 000.”

As previously stated, Luo wanted to enter the European market, which is why he started to investigate various locations in Europe. Fanerdun describes that Amsterdam, various towns in Sweden, which want to stay anonymous, and Kalmar were considered for the Chinese convention centre. Mah, Vice President of Fanderun in Kalmar, makes clear that:

“The goal is the European market; we have to come here.”

When comparing the Netherlands and Sweden, it was concluded that Sweden had a lower corporate tax as well as lower investment costs, which was significant for Fanerdun’s final decision. Another factor for his choice of Kalmar was cheaper land prices in comparison to the Dutch alternative. The Chinese firm saw that many potential Dutch and German customers purchase their products from a cluster of suppliers in Italy, which can also be seen as a competitive market. Hence, the location in Northern Europe and Kalmar was of strategic importance due to its distance to existing competitors. In other words, Fanerdun wanted to be first on the North European market.

Nevertheless, the firm’s consideration to establish its idea in the Netherlands was highly supported by the Dutch government. But again, Fanerdun emphasises that this location was expected to be too close to existing businesses of this kind and the cooperation with ISA and the Regional Council, and Gustafson in particular, was an important factor that Fanerdun preferred Kalmar to Amsterdam. Here, it should once more be noted that the contact between Gustafson and Luo created mutual trust, which was significant for the Asian investor and his final decision. It should also be kept in mind that Fanerdun investigated prerequisites of Kalmar through the earlier investment in West Baltic Holding. This investment strengthened Luo’s perception about opportunities in Kalmar as well as cultivated the relationship to Gustafson, which Fust, the CFO of Fanerdun in Kalmar clarifies by saying:

“Good personal relationships are tremendously important when doing business with Asians.”

Furthermore, Fanerdun sees Kalmar’s location in Sweden and at the Baltic Sea per se as another main criterion its investment. Kalmar lies in the heart of the Baltic Region and covers 100 million customers. In addition, the town possesses an airport, a harbour as well
Empirical Findings

as good train and road connections. With its position near the Baltic Sea, Kalmar is not just a strategic position within Sweden, but also in the Baltic Sea Region, Northern and Central Europe as can be seen in figure 4-2.

![Figure 4-2 Kalmar's Location in Europe](Kalmar Municipality, 2006)

The Baltic Sea region is experiencing rapid growth, and as all emerging markets it attracts capital and attention. Fanerdun pointed out to the Municipality that Kalmar is situated in the centre of this attractive region, and that is one of the reasons why the Chinese investor sees potential in this location. The Municipality has noticed that it is important for foreign investors that there is a network between the countries located by the Baltic Sea since, according to Persson, Chairman of the Municipality Board:

“There are 10 hot spots in the world, and the Baltic Sea region is one of them.”

Finally, Fanerdun adds that locating a convention centre of this size close to a large city does not work. The amount of people travelling to and from the centre would easily cause traffic congestions. Kalmar can more easily cope with the expansion of visitors. In other words, as Qian Yi, CEO assistant of Fanerdun in Kalmar, points out:

“In Kalmar there are advantages, not disadvantages.”

4.6 Current State of the Project

Fanerdun has bought four different properties from the Municipality of Kalmar. The forest in the area for the future convention centre has been lumbered and the first Chinese construction workers have arrived. Simultaneously, the construction work for the trestle has started in China, which is expected to be sent to and put together in Kalmar. The construction of the convention centre itself is the most important issue at the moment, whereas the planning for hotel and apartment constructions just started. In addition, it should be noted that the cooperation between Kalmar and Fanerdun has been extended since the initial contact, due to the good responds from each other. To exemplify, Fanerdun bought additional properties and a promotion tour through parts of China was accompanied by representatives from Kalmar to show mutual help and trust. Fanerdun wanted to communicate the extent of support from Kalmar in this project to create trustworthiness towards potential customers in China.
Empirical Findings

The construction process is seen as the main risk that the Chinese firm faces at the moment. For Fanerdun, a possible delay in the building process will cost money. The delays could be caused by weather circumstances or problems with local authorities, such as missing visas for additional Chinese construction workers or caveat from local construction authorities who might not accept the Chinese constructions. In other words, the time constraint is seen as a current risk for Fanerdun’s mission to be first on the market, or as Mah, Vice President of Fanerdun in Kalmar, expresses:

“I do not want to think about the scenario of not being first, because if we cannot be first that would cause big problems.”

Fanerdun tries to work as close as possible to his contact persons from Kalmar to avoid possible delays. That is why Fanerdun’s employees work hand in hand with the representatives from the Regional Council and the Municipality, who have direct contact to other local authorities and legal aid. They also work as communicators between Fanerdun and different authorities such as the Swedish Migration Board and County Administrative Board, which helps Fanerdun to understand and adapt to Swedish laws and business culture. This kind of aid is given to all international investors that come to this region. However, Luo and his advisers were also invited to private events, such as a dinner at Davidson’s, leader of Fanerdun project group, house and visits to local kinder gardens. Since the Chinese investor has a different culture and way of thinking, the project demands more time and help from the Regional Council and the Municipality than Western investors do.

The close cooperation, however, requires mutual adaptation between the Swedish and Chinese representatives. Although cultural differences have not been a major hinder, differing working methods are present. Fanerdun exemplifies this by intensity and hours of work that Chinese dedicate in comparison to Swedes. As a Swede, Fust, CFO of Fanerdun in Kalmar, sees information flow through the organisation as another example for operating differences. While Swedish organisations tend to be more democratic with open information access to all employees, Chinese firms are characterised by hierarchical and centralised decision making. Also, he mentions that his Chinese colleagues usually plan the foundation of all activities, while detail descriptions are left out. However, Fanerdun points out that the cooperation with Kalmar works well since both parties are trying and are willing to understand each other. During the first negotiations about properties, Luo had to accept many no’s from Kalmar Municipality. Nevertheless, the Chinese entrepreneur could always come up with alternatives that also Kalmar’s representatives could accept. During several meetings, the relationship and trust between the Chinese and Kalmar Municipality grew. Persson, Chairman of the Municipality Board, tells us an anecdote about the importance of trust and personal bond for the Chinese business man:

“During the negotiations, Luo asked us what kind of support the Municipality could offer him. We thought he meant subsidies or financial aid, which to us was an unexpected request since we can not offer such aid to a private company. After further interpretations, we understood that he meant support as in friends or partners that would help him to better understand cultural differences.”

Another success factor of this cooperation, according to Fanerdun is the actual people; their relationships and respect for each other. At the same time, the significance of guanxi that has to be considered when doing business with Chinese is emphasised by Qian Yi, CEO assistant of Fanerdun in Kalmar:
Empirical Findings

"Guanxi is very important in China. Without guanxi one cannot do anything."

In addition, Fanerdun mentions mostly positive reactions from local firms and public in the Kalmar region. Negative opinions often arise from prejudice and too little knowledge about China, but Fanerdun tries to minimize misunderstandings between all parties. As Qian Yi, CEO assistant of Fanerdun in Kalmar, is a native Chinese living in Sweden for seven years, she understands both sides and can also communicate these to the public;

“For Fanerdun it is important with a Chinese face who talks Swedish.”

The Municipality also communicates that the majority of Kalmar public as well as firms have a positive perception towards the Chinese investment. To keep that attitude, communication channels are kept as open as possible and information meetings for the public, other municipalities and firms in the region are arranged. For the Municipality, the Fanerdun project is a role model for future investments of this kind.

4.7 Benefits for Kalmar and Fanerdun

All respondents claim that the investment will also create a demand for labour. This could be in form of competences in supporting industries such as construction during the establishment and logistics and other activities after the opening of the convention centre. Because of the Fanerdun project, the Municipality of Kalmar sees a need of developing the current infrastructure for both goods and people. To do this, several municipalities in Kalmar County have started collaborating and discussing a common infrastructure improvement. In the beginning of November, Kalmar airport was handed over to the Municipality by Luftfartsverket (Luftfartsverket, 2006). A project group is therefore appointed to develop the airport and attract operators. The Municipality hopes that they will be able to develop an international airport in Kalmar or Växjö. Also, improvements of the E22 highway will be made during 2008.

The visitors of the convention centre will in turn affect the tourism industry positively. Kalmar Municipality invested in Fanerdun’s promotion tour through China to be able to simultaneously market the Kalmar region. This investment decision was supported by the Regional Council and Gustafson, Investment Promotion Manager, explains that:

“The Fanerdun project goes hand in hand with the development of the tourism industry and of infrastructure.”

“Fanerdun wants to put Kalmar on the map and get people to come here,” stresses Mah, Vice president of Fanerdun in Kalmar. Fanerdun, on their hand, anticipates that Kalmar’s focus on the tourism sector will affect the convention centre positively. The customers of the convention centre will enjoy their stay more if there are leisure opportunities that can be combined with a business visit in Kalmar.

Foreign investments often mean positive effects for Sweden. Both the Regional Council and the Municipality agree that there is a trend in Chinese companies seeking investments abroad, especially in Europe. This is confirmed by the World Investment Report from UNCTAD (2006), which states that the emerging economies are becoming more and more important as foreign investors in Western economies. The Municipality anticipates more Chinese inquiries for investments in Kalmar within the next three years. The Regional
Empirical Findings

Council and ISA confirm that if an investment of this kind is seen by other Chinese firms as a success, the region of Kalmar will most likely be contacted by other Chinese companies. ISA has, in other European regions, seen Chinese communities develop with for example doctors, lawyers and restaurants due to increasing Chinese investments.

4.8 Risks

The Regional Council and the Municipality do not bare much risk within the actual business but is dependent on convention centre’s success due to the large investments in supporting industries. This refers to the planned airport expansion, for instance. Although the airport is planned to be internationally connected, some respondents worry that Arlanda airport in Stockholm will be preferred as transportation hub.

ISA mentions risks associated with the cultural challenge that this project brings to Kalmar; cultural differences and language barriers could pose a risk of misunderstandings. The Municipality, however, makes clear that all Kalmar representatives involved try to learn more about Chinese way of thinking to be able to better understand the Chinese investor. Further, with help of an interpreter and extended email confirmations all details are discussed to prevent the risk of possible misunderstandings. This was of most importance when starting the cooperation, namely when discussing the first property contracts.

Some respondents do consider competition as a possible threat. There are similar centres located in Russia and Italy that could pose a risk to the success of the Kalmar establishment. The main opinion, however, is that these centres are structured differently than the Fanerdun example. Furthermore, the target customers of the Italian cluster are present in Southern Europe whereas Fanerdun’s are located in the north. All respondents are thus at one with the presence of risks when doing any type of business. Rembe, Head of Market Communications for ISA, puts this aspect into words;

“There are always business risks.”

In connection to this, the Regional Council and the Municipality states a concern about the possible absence of European customers. Fanerdun, however, does not really see this problem and expects customers to come to Kalmar. The firm emphasises that today, around 60 percent of all light industry products are manufactured in China and companies world wide import from China. With the convention centre it will be easier for European companies to buy products from Chinese suppliers. A parallel is drawn to Yiwu’s development, a small and poor city in China that was turned around by the agglomeration of 60 000 firms in several convention centres. More than 160 international companies have people stationed there as purchasers. For Fanerdun, a realistic amount of 600 000 visitors per year is estimated (Eurofutures, 2006).

4.9 Local Firms in Kalmar

The empirical findings in this section were collected at a Fanerdun project information meeting arranged for local firms by Kalmar Municipality on November 29, 2006. The local firms interviewed can be found in table 3-2.

The majority of all companies are positive towards the Chinese establishment. Many have already offered their services and some have even cooperated with the company and they
Empirical Findings

think that their work load will increase due to Fanerdun’s investment. Several respondents also believe the establishment will lead to an injection for the region as a whole, making it attractive for other investments as well. However, a few are concerned about increased competition.

The information that has been communicated by the Regional Council and Kalmar Municipality has been satisfactory according to most respondents. However, some feel that they still lack specific information concerning their own businesses. The most demanded information, namely details about the future of the project, cannot be retrieved due to the early stage of the establishment.

However, one of the respondents is afraid that the positivism among the firms in Kalmar is an effect of the optimistic picture that is communicated. Scepticism about the establishment is avoided and one respondent is afraid that the Fanerdun investment could become a disappointment. This is due to unrealistic expectations that could have been created by the Regional Council and the Municipality.
5 Frame of Reference

This chapter will display our theoretical framework and it is divided into three parts; regional network, internationalisation and guanxi. This can be found in figure 5-1.

5.1 Regional Network

To make it easier for the reader and to better describe the theories about regional networks, we will first present a brief overview of general network theories. This is followed by theories about the development of regional networks as well as associated limitations.

5.1.1 Business and Social Networks

Dubini and Aldrich (1991) view networks on two levels; the individuals’ relations with each other and the firm’s activities with other organisations, commonly known as social and business networks. These two processes develop simultaneously within and between companies and are equally important (cited in Agndal & Axelsson, 2002).

Emerson (1981) defines a business network as “a set of two or more connected business relationships” (cited in Lindstrand, 2003, p. 79). Companies are connecting to networks to get access to resources, knowledge and markets (Hanberger, 1992). Several researchers found that business relationships are not only dealing with the trade of goods between parties, but also with coordination, integration, cooperation, commitment and trust (Lindstrand, 2003).

Håkansson and Snehota (1995) describe the development of these relationships into a network as a way of increasing the competitiveness of the company in the market (cited in Lindstrand, 2003).

Business network theories often describe firms’ interactions with each other. There are, however, other important actors that influence a company’s operations. Becattini (1990) includes family and people from organisations, local authorities, and political parties as parts of the social network. Here, it is important that the owner or manager knows from whom information can be retrieved. This trust based network reduces time and uncertainty during information gathering and it evolves gradually when the respective trustworthiness is shown (cited in Li, McDonald & Vertova, 2001). Social relationships are critical to the development of long-lasting business relationships (Forsgren, Hägg, Håkansson, Johanson & Mattsson, 1995). A social network is also identified as a knowledge network (McDonald & Vertova, 2002).
Ciborra’s (1990) and Zanfei’s (1990) studies show that networks are one of the most important strategies for obtaining and managing knowledge assets and Porter (1998) takes it further by linking networks to a competitive advantage that firms could not get in isolation (cited in Gentzoglouvis, 2002). Gentzoglouvis (2002) emphasise that greater knowledge leads to better adaptability and thus a better chance to deal with changing business environments. The know-who is becoming more important than the know-how (Hudson, 1999, cited in O’Hagan & Green, 2002).

5.1.2 Background to Regional Networks
Hartshorne (1977) explains that a region can be divided into two main concepts; the formal and the functional region. A formal region is an area which offers similar features, both physical and cultural, and it is possible for researchers to compare two regions through certain features. Functional regions, on the other hand, are described through the level of integration that makes up the regional network. As firms are entities in the network, the increased number of linkages between firms and individuals expand the region. There is no commonly accepted boundary for a region; it depends on what is studied (cited in O’Hagan & Green, 2002).

According to Markusen (1996), it is today becoming more difficult to sustain regional networks and industrial districts in advanced capitalist countries. Companies in industrial regions are moving their production to low cost countries. Still, there are regions in developed countries that manage to attract both capital and labour; they are “sticky places in slippery space” (Markusen, 1996, p. 293).

Markusen (1996) claims that stickiness can appear in both existing and new districts and it evolves in particular in regions where the state and/or multinational companies play an important role in creating the industrial district. They often create glue that attaches small firms to one another and pulls new firms to the region.

5.1.3 Creating a Regional Network
Lechner and Dowling’s research (1999) focuses on the factors that lead to the evolvement of regional networks, rather than the characteristics of existing ones. In order to obtain competitive advantage, global cooperation is becoming increasingly important for local companies. At the same time the local focus and the creation of regional networks are also becoming important instruments to achieve competitive advantage. Therefore, strategists and others are searching for new ways of creating economical growth and innovation through regional networks. Furthermore, regional network development is externally rather than internally driven. Scott and Paul (1990), and Saxenians (1990, 1991, 1994) also emphasise the importance of how changes in technology and market leads to the creation of new regional networks (cited in Markusen, 1996).

The development of the regional network depends heavily on openness, since the presence of and relations between large and multinational companies require open communication. What is also particular about developing regional networks, according to Jarillo (1988) and Sydow (1992), is that relations between firms in the network are seen as dependent; they cooperate rather than compete (cited in Lechner & Dowling, 1999). As a result, the following definition of regional network can be given: “regional concentrations of firms and institutions in a particular field that are interconnected to gain or sustain competitive advantage” (Porter, 1998; Jarillo, 1988, cited in Lechner & Dowling, 1999, pp. 311-312).
Lechner and Dowling (1999) describe in their research the ideal route for the development of a regional network. The main factors for creation involve social networks, entrepreneurship and momentum of economic growth.

The process starts in social relations leading to networks within the developing region. The relations might already exist or grow over time, but the relations are always the roots of regional networks. Therefore, all companies are social networks and the networks between organisations are based upon social relations (Lechner & Dowling, 1999). The regional network is more particularly created through “networking activities, formal and informal co-operations, the use of strategic alliances, and increasing decentralized specialization lead to new structures and relationships” (Lechner & Dowling, 1999, p. 313). These activities change independent companies within a region into a regional network.

In regional networks, the role of the entrepreneur is very important, state Lechner and Dowling (1999). Not only are his/her inventions important for the evolution of the network, but also are their social networks essential for realising their inventions. Networking is one of the domains of the entrepreneur, and is one of the key resources of the organisation (Birley, Cromie & Myers, 1990, cited in Lechner & Dowling, 1999). Dubini and Aldrich (1993) express this idea as “personal networks lead to economic networks and the networking of the entrepreneurs leads to the overall network of relations” (cited in Lechner & Dowling 1999, p. 315).

According to Yeung (2000), regions that have been struck by economic decline can often be turned around by the entry of a large, sometimes foreign, firm. The new production system initiated by the new firm creates new forms of production in the older industrial region through their supplier network.

In fast growing regional networks, so called hot-spots, the agglomeration of firms arranges into interlinked subpopulations within the region. Due to a momentum in economic activities, new firms are attracted to the region. To strengthen their position within the district, the new firms start cooperating with each other and with existing firms. This has the effect of reduced costs, a growing skilled workforce pool and enhanced infrastructure. This in turn will lead to a faster growth of the firms inside the district compared to the external ones. Hence, the success of the individual entrepreneur is a combination of the relations and structures in the region, and the accomplishment of the new generation of entrepreneurs (Pouder & John, 1996; Hannon & Caroll, 1992; Scott, 1989; Porter, 1990; Saxenian, 1994, cited in Lechner & Dowling, 1999).

### 5.1.4 Limitations to Network

Even though various researchers describe the beneficial effects of networks, there are also limitations. Relationships can be both positively and negatively connected. Cook and Emerson (1978) explain that a connection is positive if exchange supports and facilitates operations for both parties. A negative connection means that exchange in one impedes at least one of the involved (cited in Blankenburg & Johanson, 1992).

Networks are not always easy to manage and conflicts may appear both within and between networks. Networking itself is a time consuming and resource demanding activity and conflicts would thus lead to extra costs (Izushi, 2002). Also, the created trust with one partner may discourage the firm or individual to seek new opportunities in other networks, which may affect the performance of the firm (Grabher, 1993, cited in Izushi, 2002).
More specifically, a regional network can also face difficulties. As it evolves, it is becoming more and more difficult to coordinate and sustain common goals for the region. The region might develop in an unexpected direction, “sailing like a ship without a captain” (Lechner & Dowling, 1999, p. 317).

Lechner and Dowling (1999) further state that a large company could become a dominant player within the regional network, if the firm enters at an early stage of the network creation. An early domination might hinder the development of the network. The domination leads to small businesses having no incentives to cooperate with the large firm horizontally. Instead, these have to adapt to a vertical position in the value chain that is dominated by the large organisation. Some researchers argue that regions dominated by one large firm may even jeopardise the existence of the regional network. Nevertheless, the region’s development depends on the large firm’s structure, culture and strategy (Harrison, 1994, cited in Lechner & Dowling, 1999).

5.2 Internationalisation

During the past decades much research has been done on internationalisation, and the internationalisation process has often been characterised in terms of incremental decisions and steps (Johanson & Wiedersheim-Paul, 1975; Johanson & Vahlne, 1977; Johanson & Vahlne, 2003). Nevertheless, critiques to these theories are found as they do not cover the initiation of the internationalisation process.

5.2.1 The Uppsala Model

The Uppsala model, one of the fundamental researches within the field of internationalisation, characterises the internationalisation process as incremental involvement in international activities. International involvement is influenced by market commitment and market knowledge as well as psychic distance (Johanson & Vahlne, 1977).

According to Johanson and Vahlne (1977), the classic Uppsala model describes internationalisation as a process that is mainly driven by learning about and committing to international operations. Information and understanding about the foreign market cannot be substituted by surveys or other market information. Consequently, this obstacle can only be overcome through experiences that can be gained when operating on these markets. In other words, experiences are necessary in order to perceive and evaluate opportunities and threats. Experiences can be both market and operation specific. The former includes mainly information about particular market conditions, which can hardly be transferred to other markets, whereas the latter describes means of finding and exploring international business operations. These can more easily be transferred and applied in other markets. Market experience is connected to the internationalisation process and this knowledge usually accrues over time. Hence, internationalisation passes through various incremental steps with learning and commitment as central requirements. Through commitment a firm becomes dependent on the market.

A major assumption of the traditional Uppsala Model is that markets are separated by psychic distance. In general, psychic distance includes cultural differences such as values, educational level, religion, language and politics, which can also be seen as market entry barriers. Hence, Hörnell, Vahlne and Wiedersheim-Paul (1973) found that the internationalisation process of firms usually starts with mentally close countries as risks associated with the
establishment are lower than in countries with greater psychic distance (cited in Johanson, Blomstermo & Pahlberg, 2002). Further, it is argued that a firm’s international involvement is incrementally expanded to psychically more distant markets.

In short, the Uppsala model explains that a firm expands in its domestic market first and then, as a consequence for further growth, goes international (Johanson & Wiedersheim-Paul, 1975). The idea here is that uncertainties and risks are reduced if international involvement is done incrementally since the firm has enough time to learn about the foreign market. These findings conclude four steps that a firm is likely to follow when expanding its operations overseas:

1. Direct orders - no regular export activities
2. Export via independent representatives (agents or licensing)
3. Sales subsidiary
4. Own production/manufacturing in foreign market

5.2.2 Critiques and Need for a New Model

According to Johanson and Vahlne (2003), increasing global competition and technology changes force firms to internationalise quicker, limiting the Uppsala model to standardised situations. In other words, the traditional model is no longer applicable to all internationalisation processes. Nevertheless, some ideas and concepts of the Uppsala model can still be useful when explaining common trends of today’s internationalisation processes, since researchers try to include network and relationship theories with the traditional model.

One important critique found is that the traditional Uppsala model does not comment any time frame, meaning nothing is said about how fast a firm goes international (Leonidou & Katsikeas, 1996, cited in Scholl, 2006). In addition, the model does not consider special cases of internationalisation such as born-globals or phenomena such as leapfrogging; skipping particular stages of the classical model (Oviatt & McDougall, 1994).

Coviello and Munro (1995), among others, suggest that internationalisation as a process should be analysed together with a network approach in order to get a more complete understanding of internationalisation (cited in Lindstrand, 2003).

Another critical aspect concerns the concept of psychic distance. Johanson and Vahlne (2003) rephrase their findings about psychic distance; it should be analysed between individuals and organisations and not between countries. Ellis (2000) states that in his research, firms started going to psychically distant markets because of market size and opportunities present there. Hence, psychic distance was not taken into account; instead he suggests that research should concentrate on the start of the internationalisation processes. Although market opportunity and market knowledge are still seen as key drives of international involvement, not much is known about how firms get hold of information about opportunities and partners on potential foreign markets.

5.2.3 The Network Approach

In contrast to the Uppsala model, where knowledge can be acquired through operating on the international market, the network model assumes that this knowledge can be gained through experiences from partners (Johanson & Mattson, 1988, cited in Lindstrand, 2003). Here, it is assumed that firms are linked through long-term relationships and that interna-
tional involvement runs through an incremental process of developing and maintaining relationships. Another assumption is that the firm depends on another firm’s resources and/or information to establish internationally.

In the network model, knowledge is as important as in the Uppsala model, but knowledge refers not to the market but to the partners (Johanson & Mattsson, 1988, cited in Scholl, 2006). In other words, it is crucial to learn about all partners, their activities and resources, to be able to better adapt to each other. Since several actors are interacting with each other, coordination is needed. This requires time and efforts because relationships might have to be changed in order to maximise the needs of another relationship. In short, according to the network model, internationalisation refers to the development of a particular position in the network.

In a later research, Johanson and Vahlne (2003) emphasise the interplay and the associated results between commitment and experiential knowledge development between relationship partners. Here, potential and existing partners are considered. The network model states that relationships grow over time if mutual interaction and commitment from all partners are present. An essential aspect in this relationship development process is that all partners learn from and with each other; each other’s resources, strategies and needs can be discovered and consequently balanced. Firms are dependent on the resources controlled by others in the network and should always be considered in a firm’s decision making process. All firms in this relationship are commonly interested in mutually developing present resources. However, this learning process in a business context requires money and time from all sides involved as well as mutual commitment (Johanson & Vahlne, 2003; Chen, 2003). A basic feature in this model is mutuality. The mission of building such a business relationship is to create a common future. As a consequence, the business network grows.

Commitment is a central part of a business relationship and should therefore be adjusted to chosen business partners (Johanson & Vahlne, 2003). Here, the primary concern is to enhance already existing relationships in order to create close interdependencies among all partners. The aim is to gain a defending position in the relation which can be done by increasing its commitment. It should be kept in mind that it is usually easier to advance already existing relationships than establishing new ones. Nevertheless, new relationships are often needed to support other relationships. As a result, business network structures are created through surrounding and supporting relationships (Chen & Chen, 1998, cited in Johanson & Vahlne, 2003).

The established network can further be used for international expansion, or in other words, international expansion is often seen as a result of developing existing relationships. Johanson and Vahlne (2003) confirm that existing relationships might influence foreign market entry especially in respect to which market to enter. This is possible since relationships can be of help to overcome market barriers (Johanson & Vahlne, 2003). However, social ties are not emphasised in the network model, which should be mentioned since social relationships play a significant role in the internationalisation process as well as in its initiation (Ellis, 2000, cited Komulainen, Mainela & Tähtinen, 2004).

### 5.2.3.1 Conditions and Drives of Initiation of Internationalisation

According to Reid (1983), three conditions should be coexisting for international involvement; capability to go abroad, motive to go abroad and awareness to go abroad (cited in Komulainen et al., 2004). Further, having information and being aware of opportunities on
foreign markets is seen as significant factors before starting any internationalisation process (Ellis & Pecotich, 2001, cited in Komulainen et al., 2004).

Ellis (2000) mentions that a firm’s international involvement is often influenced by sellers or customers. He further argues that a third party or ‘the chance factor’ can be seen as alternative drives for initiating internationalisation processes. A third party refers here to a business associate or a governmental agency that is aware of market opportunities, and therefore starts bringing possible business partners together. Ellis (2000) also states the likelihood of internationalisation initiation through trade fairs or ‘chance encounters’ where foreign market opportunities are communicated. This observation is confirmed by Reid (1984), who claims that “Participation in international trade fairs to be more likely than other information search activities to be used to the export decision-makers” (p.154, cited in Ellis, 2000, p. 447).

5.2.3.2 Role of Social Relationships in Internationalisation Initiation

It can be argued that individuals from organisations interact with each other to conduct business. Social network theory suggests that information is channelled between individuals and hence by interpersonal or contact networks, which might arise through social ties. Here, social ties refer to the connection between individuals, which often arise through intuition and emotions to sympathy and personal trust. Friendship could be a possible outcome of social ties, which Mainela (2002) sees as central drive in an entrepreneur’s social network (cited in Komulainen et al., 2004). Simultaneously, Ellis (2000) confirms that an entrepreneur’s characteristics and social connections can demonstrate a larger drive towards international involvement than the age or the size of the firm. In short, individuals play a significant role for organisational behaviour, since their social ties can communicate possible market opportunities by sharing information. Thus, a social relationship might be of help “to get a foot” (Scholl, 2006, p. 3) in a new market since they can be seen as facilitator (Komulainen et al., 2004). This is why social ties should be included in the initiation of the internationalisation process.

![Diagram](Komulainen et al., 2004, p.17)

Figure 5-2 Initiation of Internationalisation as a Result of Social Networks

Further, it is assumed that personal networks are used to minimize cost when searching for new market opportunities (Komulainen et al., 2004). This is often the case for small and/or entrepreneurial firms that often do not have the resources for extended market research. Personal relationships can often give useful information on opportunities and ideas, which can consequently facilitate the internationalisation process. Through social networks, associated risks and uncertainties can be minimised. It was found that social relationships play an important role in the initiation of internationalisation because of their function of channeling information through the social network.
5.3 Guanxi - Importance of Relations in China

According to Wong and Leung (2001), Western businesses are typically characterised by its focus on profits or return on investments. Business activities are done with help of written contracts and experienced procedures, where personal relationships are often ignored and to be discreet is expected. Western social values are often characterised by loyalty, while Chinese business philosophies are based on morality. Chinese social values allow gift giving, whereas this is judged as illegal in the Western business world. Further, personal relationships and trust create the basis for all business activities in China, and formal contracts are the results of building mutual trust. In other words, competitive advantage is reached through friendships and relationships.

5.3.1 The Concept and its Roots

In Chinese way of life, relationships are seen as very important, and is therefore often researched and connected to Chinese styles of doing business (Campbell & Adlington, 1988; Wong & Leung 2001). The most important aspect captures the cultivation of relationships, also called guanxi. Broadly translated, guanxi means ‘personal relationships’ or ‘connections’ and thus requires personal interactions that are fostered through reciprocal activities and favours (Wong & Leung, 2001). Here, it has to be noted that the main aim of forming relationships is mutual help, not self-interest as often thought (Campbell & Adlington, 1988).

The roots for this concept can be found throughout Chinese history, where life has been strongly influenced by government and Confucian thinking (Wong & Leung, 2001). Campbell and Adlington (1988) summarise Chinese society’s mistrust towards its political and legal system as ‘superficial harmony’ that is tried to hold up in very aspect in life. Insecurity in Chinese society results from missing property rights. Wong and Leung (2002) see this as another reason for the importance of relationships. The philosophies of Confucius emphasise “the concept of group taking precedence over the individual” (Wong & Leung, 2001, p. 5), including every person’s role in social as well as political life to strive for social harmony. This kind of thinking has always been used by Chinese government to maintain social stability. Nevertheless, business people hardly found any support or protection in its government due to the incomplete legal system in China (Campbell & Adlington, 1988).

According to Wong and Leung (2001), there are three major explanations for guanxi; institutional weakness leading to the disagreement of conflict and harmony, lack of legal and property rights and a strongly controlled society where individual gain is not wanted. In other words, Chinese people has learned throughout Chinese history to rely on each other, using relationships to ‘live’ since legal and political aid is not present and where collectivism is favoured.

5.3.2 How to Create Guanxi and its Benefits

Campbell and Adlington (1988) mention that Chinese base their decisions to establish business relationships on various criteria. Firstly, the business partners should be perceived as prepared and patient. Here, preparation refers to learning about the Chinese specialties in doing business and the core ideas of the business at hand. Further, negotiations with Chinese might take more time than in the Western world. Hence, Chinese business people expect foreign partners to take their time to establish mutual relationships and to play ‘the game’. Secondly, the business partner’s knowledge and expertise as well as product uniqueness are decisive. Thirdly, Chinese business persons consider the amount of familiarity their
potential foreign partner might have in terms of Chinese business practice, language and understanding. This also includes that foreign firms should accept the means that the Chinese use to keep their superficial harmony. Although social values and business strategies might seem strange to foreign business partners, it is essential for them to adapt and to agree to the Chinese way in order to create guanxi and increase the probability to do business with a Chinese partner.

Wong and Leung (2001) argue that building guanxi starts with trust or having confidence in its partner. Creating trust starts with some kind of bonding and various contacts, including formal and informal meetings. The former can be in form of company visits, while the latter refers to dinners and other kinds of entertainment. Here, gifts stand in the centre of attention and both gifts and informal meetings should preferably be from or in relation to the home country. These tools show hospitality and strengthen guanxi, which constitutes an emotional relationship among the business partners. In Chinese perception, guanxi and the cultivation of relationships are used to make business transactions easier. Western perception, on the other hand, often associates corruption with these alternative means of doing business. Hence, it should be mentioned that offering money is rarely used when enhancing guanxi, since money does not display any personal context and is therefore often seen as bribery. On the other hand, bribery might be of help on a one-time basis, but interpersonal relationships can not be established since an emotional relationship is not present when money is involved. However, purely gift giving cannot generate guanxi but can rather create mistrust. It was found that a friendship is ‘real’ if founded in hard times. Another source of strengthening guanxi is favours and their reciprocated use, meaning a continuous exchange of favours will enhance the relationship.

Other cultural aspects to consider when dealing with Chinese are related to confrontations and display of feelings. It was found that confrontations are not liked among Chinese who instead make an effort to understand the reasons for a possible disagreement and then try to resolve the problem (Wong & Leung, 2001). Being able to speak Chinese is seen as a major advantage, especially because language aspects are closely connected to the core of Chinese culture. Thus, it is difficult, if not impossible, to share a personal relationship based on mutual trust through communicating with help of an interpreter (Campbell & Adlington, 1988). In addition, Wong and Leung (2001) suggest keeping extreme behaviours and open feelings at minimum in order to maintain guanxi.

According to Campbell and Adlington (1988), home governments can be of help when building guanxi and relationships with Chinese firms. This could be done through delegations or aid programs. Another mean to show commitment and build guanxi is the opening of a representative office.

In summary, the cultivation of relationship might require certain investments and time (Campbell & Adlington; 1988, Chen, 2003; Wong & Leung, 2001), but the result holds benefits for all parties involved. In other words, anyone who wants to do business with Chinese needs some kind of guanxi, since Chinese businesses are characterised by: “friendship first, competition second” (Wong & Leung, 2001, p.79) and “the Chinese prefer to do business with friends” (Campbell & Adlington, 1988, p. 117).
5.4 Common Aspect of Theories

All three theories have one aspect in common, namely they all stress the importance of relationships. This aspect should be kept in mind, since it constitutes the base of our analysis.
6 Analysis

The analysis will be structured in accordance to the frame of reference. The first section will focus on answering why and how the establishment was realised from Kalmar’s point of view. The second part will focus on Fanerdun’s perspective. Lastly, the importance of guanxi is discussed.

Fanerdun and the region of Kalmar are dependent on several factors that led to the establishment. There are given factors for the realisation of the convention centre establishment in Kalmar; location in Europe and the Baltic Sea region, low corporate tax, low investment costs, infrastructure capabilities and small town advantage. However, we will analyse the factors that are created and influenced the establishment since these are less apparent. One common feature found among them was relationships between people, organisations and regions.

When referring to Kalmar, we discuss the interests and work of both the Regional Council and Kalmar Municipality. In appropriate context, Kalmar also stands for its actual location.

6.1 Regional Network Development

We begin with describing networks as the starting point of the development of a regional network in the Kalmar region. The reader should have the goals of Kalmar in mind, namely economic growth and increase in population.

6.1.1 Networks

As described in the theories, a network can be viewed on different levels; business, social and regional. As a business network is based on a social network, these two levels are interlinked and difficult for us to separate. Firms and organisations do not interact directly, it is the individuals within them that do. Consequently, individuals represent Fanerdun as well as Kalmar, and through personal interactions between them the business opportunity of establishing a convention centre was discovered. In other words, as Hudson (1999, cited in O’Hagan & Green, 2002) makes clear; the know-who is more important than the know-how.

To make it easier for the reader to follow the linkages among all actors involved, we visualise how we interpret the business/social relationships in figure 6-1.
In the process of finding the business opportunity, we have identified ISA as the starting point of the establishment since this governmental agency decided to focus on attracting Chinese investors. Following, ISA offered the Regional Council in Kalmar County to be involved, which some time later led to the agreement between Kalmar and the Changxing province in China. Changxing is the home market for Fanerdun and thus closes the circle. Specific roles and important relationships between individuals will be discussed in the internationalisation section.

### 6.1.2 Preconditions to a Regional Network in Kalmar

Business and social networks can develop into regional networks. We can identify regional networks on three levels (see figure 6-1) that in different ways contributed to the establishment. The actors within the three networks have been able to obtain access to knowledge, resources and markets, as Hanberger (1992) describes in theory. This has given them benefits that were not available prior to the network creation.

The first level involves Kalmar’s collaboration with Changxing. Through this collaboration the yearly forum was created and firms from both regions were able to meet and discuss possible business deals. According to Hartshorne (1977, cited in O'Hagan & Green, 2002), the functional region is not measured in distance between actors but rather through the level of integration between firms and people. Thus, the collaboration network between Kalmar and Changxing could be considered as a developing regional network due to its cooperation. The regions are not geographically close but their collaboration aims to improve both regions’ development; the two regions are interlinked. Therefore the regions arrived at several agreements, which further strengthened their commitment to each other. As interactions increase, the regional network between them will develop. Signs for this were seen in the last business forum, where the number of participants and business contacts initiated were high.

The location criteria, the Baltic Sea region that attracted Fanerdun, can further be analysed as a network. Through our interviews, it was found that the Baltic Sea region is a ‘hot spot’ where regional growth is attracting investors. Poudet’s et al., (1996, cited in Lechner & Dowling, 1999) findings on hot-spots can thus explain Kalmar’s attractiveness; it is located in the middle of this expanding region where Fanerdun finds its target customers. Through
the Fanerdun establishment, this regional network can develop further, since economic exchange is stimulated through the presence of the convention centre. This includes more customers and firms in supporting industries.

6.1.3 Regional Network Development in Kalmar

These above mentioned levels, Kalmar-Changxing network and Baltic Sea network, are the foundation of the third level identified; the region of Kalmar. This is because both levels contribute to Kalmar region’s attractiveness in two ways; the first facilitates business exchange and the second is a hot-spot. Referring to Yeung’s (2000) findings on the impact of firm entry, the networks have contributed to the initiation, the momentum, of Kalmar’s positive development.

Based on our empirical findings and theories, we anticipate a regional network development in Kalmar. However, our analysis focuses on a theoretical approach since the time frame of this project does not yet allow any practical evidence. Factors that were important for the realisation of the Fanerdun establishment and thus for a regional network creation will be described.

The first mean towards recovery from economic decline was the shift from manufacturing to commerce and service industries. This is in line with Scott and Paul’s (1990) and Saxenians’ (1990, 1991, 1994) view on regional network creation through change in technology and markets (cited in Markusen, 1996). The opening of IKEA in Kalmar and Holiday Club in Västervik were two of the initial effects. The second mean was to attract a foreign investor, Fanerdun, and by such further improve a positive turnaround. Markusen (1996) confirms the importance of multinational firm entrance. Also her idea on stickiness, where the state and firms create glue that links companies to each other and further attracts new firms, could be valid for Kalmar. From being a region in regression, Kalmar has managed, with its strategy and cooperation with others, to start a turnaround.

Furthermore, in research by Lechner and Dowling (1999), the role of the entrepreneur is of importance for the development of regional networks. Therefore, Luo and Fanerdun can be seen as assets, as many respondents perceive him as a true entrepreneur with an ability to solve problems and turn them into possibilities. His ideas can be seen as push factors for Kalmar, since his business idea is unique and innovative for the European market. We got the impression that Luo already has plans on expanding the centre and developing complementary businesses; thus this is also important for the positive development in the region. His wish to cooperate and build relationships with Kalmar representatives is agreeing with studies by Birley et al. (1990, cited in Lechner & Dowling, 1999) that emphasise the entrepreneur’s social networking skills. Also, the importance of guanxi should be mentioned, since Luo is a Chinese business man, however, a separate section is dedicated to this aspect.
To give a complete picture of why and how Kalmar wanted and could attract Fanerdun, future possible side-effects, see figure 6-2, of this establishment has to be taken into account. Kalmar’s goal of regional growth is closely linked to Fanerdun’s presence; Kalmar saw an opportunity in the Fanerdun establishment. Therefore, Kalmar’s expectations associated with this investment are discussed.

New firms entering ‘hot-spots’ often cooperate with and affect other industries and firms in the region. More economic interactions thus create job opportunities and an improved infrastructure is needed in order to cope with increased business exchanges (Pouder et al., 1996, cited in Lechner & Dowling, 1999). In short, theory confirms Kalmar’s expectations and plans about regional development, which will now be further discussed.

Having more people, in particular business people, travelling to and from Kalmar region puts pressure on the development of infrastructure. This also concerns the transportation of goods. Kalmar region’s existing airport, harbour, train and road connections were of great importance for Luo and his decision to invest, but improvements are necessary. Kalmar is actively dealing with the infrastructure issue also because it contributes to regional network development. The whole region, companies and people, benefit from improved communications.

The interviews show Kalmar’s expectations of increased tourism into the region as one of the effects that Fanerdun could contribute with. As visitors of the convention centre are assumed to be numerous and stay for a couple of days, they will also spend money in the region. The town of Kalmar is situated in the heart of the ‘Kingdom of Crystal’ and close to the island of Öland, thus an attractive tourist destination. Tourism means job opportunities, which is necessary if Kalmar wants to be able to increase its population. There are also expectations of job opportunities in direct conjunction with Fanerdun’s establishment. Kalmar realised that the Fanerdun establishment could increase demand for hotels, transportation and translation services, just to name a few. However, this future outlook by Kalmar is highly dependent on local firms’ willingness to cooperate. Referring to Lechner and Dowling (1999), a regional network is dependent on relationships between firms and individuals in these firms. Networking activities are the roots of regional network development and consequently, local firms from the Kalmar regions are equally important in
Analysis

We perceived the majority of local firms as positive towards the Fanerdun establishment. They see opportunities in dealing with Fanerdun; exchanging products and services, and influencing economical activities in the region.

Jarillo’s (1988) and Sydow’s (1992) findings on cooperation rather than competition between firms in a regional network (cited in Lechner & Dowling, 1999) further confirms our analysis on regional network development in the Kalmar region. The willingness to cooperate with the Chinese investor as well as positive attitudes towards the establishment was achieved through open communication from Kalmar Municipality. Observations done by Jarillo (1988) and Sydow (1992) emphasise the importance of openness during the creation of a regional network (cited in Lechner & Dowling, 1999). Through communicating information, Kalmar could reduce resistance, misunderstandings and scepticism among local firms.

Markusen’s (1996) idea on networks’ ability to create glue should also be considered in respect to other Chinese companies. A regional network could in the future also attract other Chinese firms to the Kalmar region. If Fanerdun’s establishment is seen by Chinese firms as successful, other Chinese investment propositions could be waiting. This is anticipated by Kalmar Municipality who therefore tries to create routine procedures for Chinese companies’ market entry in the region. This should facilitate the establishment process for similar projects.

The key aspects discussed, namely entrepreneurship and social networks creating a momentum that makes an upturn in other industries, develop regional networks as can be seen in figure 6-2.

6.2 Internationalisation

This section follows the agenda of incremental internationalisation process, while network and relationships theories are included to complement the discussion. The Uppsala model might be applicable to a certain extent, but other aspects are needed to answer the purpose of this thesis.

6.2.1 Internationalisation of Fanerdun Co., Ltd

When reviewing the international establishment process of Fanerdun, clear connections to the Uppsala model become visible. It should be kept in mind that Fanerdun is a conglomerate since the firm runs several businesses in different industries. Its car industry divisions have been receiving orders from foreign suppliers. Additional international experiences through exports to Malaysia and Germany have been gained. Besides, Luo invested in a holding firm in the Kalmar region at approximately the same time as he decided to realise his business idea there. Fanerdun could consequently increase its knowledge about how to operate on foreign markets with help of these experiences. Relating these experiences with definitions by Scholl (2006), both market and operation specific experiences are present. The export activities with Malaysia and Germany helped to learn more about finding and using international business operations, while Germany gave Fanerdun a first insight into the European business environment. Finally, the opportunities Kalmar region offers were discovered when preparing the investment in West Baltic Holding, Västervik. These findings agree with the fundamentals of the Uppsala model, which can, according to Johanson and Vahlne (1977), be summarised as increasing knowledge through incrementally involving in international operations. These aspects concern Fanerdun as its whole, but this thesis
aims to focus on the real estate firm and the Swedish subsidiary in particular. Fanerdun’s earlier international experience might have been facilitated by the fact that all divisions, with international past, are focusing on manufacturing. The Swedish establishment, on the other hand, is a real estate project and is seen as the firm’s first international business activity of this kind. Thus, any kind of international experiences in this business division are not present.

As the real estate division lack experiences on foreign markets, neither knowledge on these markets is not present. Johanson and Vahlne (2003) suggest knowledge though networks and relationships as alternative means to gain market knowledge, which further facilitates foreign market entry. In respect to our study, the relationships among all initiation actors from ISA, Kalmar and Changxing were of importance to communicate market information about potential opportunities in Sweden and the Kalmar region. Establishing these kinds of relationships, especially between Sweden and China as well as between Kalmar and Fanerdun, are said to require time and effort, which makes the international involvement with help of relationships proceed incrementally. This is confirmed by theory (Johanson & Vahlne, 2003; Chen, 2003). In addition, relationship creation, guanxi, plays an import role in the Chinese business context (Campbell & Adlington, 1988; Wong & Leung, 2001), discussed in detail in a coming section. Therefore, relationship development between Fanerdun and Kalmar has to be taken into account when discussing created factors that led to the establishment.

6.2.2 The Initiation of the Fanerdun Establishment

Referring to Reid’s (1983, cited in Scholl, 2006) preconditions for international involvement, competition in China gave Fanerdun one motive to operate abroad. Further, during the Yangtze Delta River Forum Luo became aware of the opportunities that Kalmar possessed and he could also show the firm’s capabilities to invest.

In reference to Ellis’ (2000) critics on the Uppsala model, the initiation of the establishment has to be looked upon. His research suggests that international involvement starts through third parties, trade fairs or by chance. Here, various factors might be of importance; the cooperation of ISA and the Regional Council, the agreement between Kalmar and Changxing province and the resulting business forum. ISA can be seen as a third party that indirectly initiated the process; to set the ball rolling.

The Yangtze Delta River Forum can be seen as a place to initiate business contacts and ideas and should therefore be interpreted as a platform which makes it possible to bring business partners and opportunities together. Here, Gustafson met Luo, and thus indicate the first direct contact of the Chinese firm with a potential Swedish partner. Fanerdun could also become aware of possible market opportunities that Kalmar embodies in terms of location and resources. That these two people met that day, however, was by chance through matchmaking.

The second result of the agreement between both regions, the opening of the Changxing representative office in Kalmar, consequently could have been of help to enhance the relationship that started at the forum. Here, it was said that the Changxing representative working in Kalmar was responsible for further investigating and evaluating the opportunities in Kalmar. In addition, the social relationship between Gustafson and this representative could have developed when working in the same building.
Figure 6-3 summarises this section; ISA can be seen as one drive for the Kalmar establishment, which shows a third party involvement. However, the chance factor that Ellis (2000) mentions was to a certain extent also present when Gustafson got in contact with Luo. In short, aspects of a third party, business forum and chance initiation came together and were therefore a combined influence that initiated the process.

6.2.3 Impact of the Relationship to Gustafson

After the initial contact was made, Luo and Gustafson came occasionally together to discuss business opportunities in the Kalmar region. While doing so, their relationship, businesslike and socially, could grow. Their friendship as well as other factors has to be discussed to get a better understanding about why and how Fanerdun decided to establish in Kalmar; and why the Chinese firm decided to invest in a larger project than initially thought.

Starting with Gustafson, whose task is to encourage investments and growth in the region, we found that his contacts in the region were of importance for the establishment. With his contacts we refer to his continuous cooperation with Kalmar Municipality and other local organisations. Having this position in the region of Kalmar, Gustafson can be seen as a valuable asset for Fanerdun, since his contacts, knowledge and experiences are helpful for a faster market entry. This is in line with the network approaches mentioned in our theory chapter (Johanson & Vahlne, 2003; Komulainen et al., 2004). The model mentions the importance of contacts and associated local relationships that are needed to gain market knowledge. Fanerdun could enter the Kalmar market with help of Gustafson’s contacts and connections. This network would later support the establishment of the convention centre as well as make it more likely to be the first on the market, which is one of Fanerdun’s current goals.

These findings also match with Ellis’ (2000) argument that an entrepreneur relies on his/her contacts to start or/speed up foreign market entry. Although we cannot say much about Luo’s social network in China, information and aid that became accessible through the friendship to Gustafson enabled Luo to enter Kalmar. Relationships as help “to get a foot” in a new market is confirmed by Scholl (2006, p. 3). Also, when looking at the development of the project and what has happened from idea to the current state, we see clear signs that local support influenced the speed in a positive way.
Analysis

6.2.4 Knowledge & Commitment: Mutual Dependency

The reader should keep in mind that Johanson and Vahlne (2003) emphasised the interplay between knowledge and commitment, which is needed to develop a relationship and consequently a network. As discussed earlier, the partners become dependent on each other instead of on the market as in the Uppsala model.

Having a look at the past months of interactions between Fanerdun and the actors in Kalmar, we can find various key events and activities that can be used as indicators of knowledge exchange, increasing commitment and mutual dependency. However, we reserve ourselves to the scope of knowledge and commitment present. These variables are hard to measure and the extent of these variables is difficult to express in words. Nevertheless, we can observe mutual engagement between Fanerdun and Kalmar Municipality from our findings. Here, we refer to the moment when Luo expressed his wish for support as in friends or partners as a sign for commitment. This can also be confirmed by the level of investments and the extension of the project compared to the initial idea.

Summarising the information we gained through interviews and media, it becomes evident that the scope of the project grew over time. Initially, Fanerdun thought to buy four properties from the Municipality of Kalmar. As the investment increased through more property acquisitions, a common promotion tour including Fanerdun and Kalmar representatives was arranged. Here, the municipality could market its region as a tourism centre in relation to the Fanerdun investment.

As previously stated, Fanerdun and Kalmar Municipality got in contact through Gustafson, who communicated Fanerdun’s interest to buy properties in Kalmar. Here, Fanerdun’s relation to Kalmar Municipality began to establish. To complete the discussion, we must again take up the discussion about to what extent Fanerdun’s investment in a holding firm was of influence. The reader shall recall that the investments in Kalmar and Västervik were done almost simultaneously. Thus, we cannot observe any findings that show any influence in terms of relationship building from the holding firm investment towards the convention centre. Since both investments happened in the same week, the time frame that separates both events gives no space for relationship development as suggested by theory by Johanson and Vahlne (2003) as well as Chen (2003).

Mutual dependency is a central concept in the network model by Johanson and Vahlne (2003). Continuing our discussion about the relationship between Fanerdun and the Kalmar actors, we can identify mutual dependency. Kalmar Municipality constitutes an important resource for Fanerdun’s internationalisation process since risks and uncertainties associated with the new market can be minimised through its involvement. This is valuable due to the following reasons.

6.2.4.1 Kalmar Municipality and its Network

Through Fanerdun’s relationship to Kalmar Municipality, the firm could get access to the municipality’s network, which supports the construction of the convention centre as well as enables further success. Through these contacts, Fanerdun gained local support to better be able to follow laws and regulations; making a business creation possible. Further, Swedish laws have to be fulfilled so that the construction can be carried out in time and without any complications. For Fanerdun, time is seen as a major hinder for being the first on the market, thus making a smooth construction process an important stage for achieving this goal. Local contacts were also of importance in respect to labour that is needed not just for
construction, but also for recruiting employees for the newly established Fanerdun Group AB. Fanderdun’s CFO, for example, was recommended by the Regional Council because of his experiences in establishing firms. Again, this knowledge and local contacts can contribute to being first on the market.

6.2.4.2 Kalmar Municipality and Assets in Kalmar, Infrastructure
Kalmar Municipality is in charge for developing the infrastructure in and around Kalmar. This is of significance during the construction process, but even more after the opening of the convention centre. With a well-functioning infrastructure, a smooth transport of customers and goods is ensured and thus the competitive advantage of the project, namely doing business in Kalmar instead of travelling to China, is achieved. In other words, if a smooth access of the convention centre is not ensured, customers may not come or still prefer doing business in China.

6.2.4.3 Kalmar Municipality and Trustworthiness
A third reason for why Kalmar Municipality’s assistance is crucial for Fanerdun is the trustworthiness that its partner communicates, especially in China. As mentioned earlier, Fanerdun conducted a promotion tour through parts of China to market its idea and attract potential investors. Since the business is still in its birth and far away from China, the presence of representatives from Kalmar could firstly, justify the realness of the project and secondly, present Sweden. Investors could consequently get a first insight about business and social aspects in Kalmar.

6.2.4.4 Kalmar Municipality and Tourism
Kalmar’s tourism activities are anticipated to positively affect the convention centre. This can be seen in terms of customer well-being. Mah emphasised that visitors will enjoy their stay better if leisure and tourism possibilities are present. Here, the aim is to “put Kalmar on the map and get people to come here” (personal communication, 2006-10-11).

6.2.4.5 Kalmar Municipality Needs Fanerdun
It should not be left out that the Chinese firm presents an equally important role in this relationship, making Kalmar Municipality equally dependent on Fanerdun. This aspects follow the discussion about regional networks, which is why we decided to keep the finding here shorter than in our regional network section. Kalmar needed the Fanerdun investment to actuate economic activities, or create a momentum for economic development. In the course of the project, Kalmar Municipality decided to accompany Fanerdun’s promotion tour through China not just for confirmation purpose, but also to market its region as a tourism centre. Kalmar Municipality could hence ‘free-ride’ on the actual purpose of the promotion tour to make people interested in Sweden and Kalmar. Furthermore, it should be kept in mind that future visitors of the convention centre might be in need of the tourist sector; meaning it is anticipated that a visit to the wholesale market is always accompanied by sightseeing, restaurant visits and accommodation needs.

6.2.5 Psychic Distance
The classic Uppsala model assume that markets are separated by psychic distance, and that companies’ internationalisation process start in mentally close markets (Johanson & Vahlne, 1977). However, the classic theory conflict with our empirical findings as the centre in Kalmar is Fanerdun’s first international real estate establishment.
Johanson and Vahlne (2003) revised the idea on psychic distance; the distance should not be analysed between countries but instead between individuals and organisations. Undoubtedly, in China and Sweden there are differences in culture, language and business manners. However, in the establishment process this was not a major hinder. Instead, Luo’s close relation with Gustafson, their understanding and respect for each other, reconciled differences and influenced Fanerdun’s decision to enter Kalmar. Further, Kalmar’s market characteristics contributed to this decision. This is in line with Ellis (2000) who also found that market size and country specific opportunities play a significant role when choosing which countries to enter.

6.3 Guanxi

In the first two sections of our analysis, the importance of social relationships has been discussed in terms of regional network development and internationalisation. In theory, the value of relationships is especially considered when doing business with Chinese. The reader was therefore introduced to the concept of guanxi, which is essential to discuss here to further explain the importance of relationships between Kalmar representatives and Fanerdun during the establishment. Again, we reserve ourselves to the scope of guanxi present in this case study. The depth of a relationship cannot directly be measured; we can only interpret our empirical findings. The extent of relationship cultivation, however, can be seen in the difference in Luo’s initial ideas and his actual investments.

To better follow this section the reader has to remember that the fundamental of guanxi is mutual help, rather than self-interest (Campbell & Adlington, 1988). In our interpretation, this way of thinking stands in the centre of attention in the relationship between Kalmar and Changxing, Gustafson and Luo, as well as Fanerdun and Kalmar representatives.

6.3.1 Guanxi to Establishment

For us, ISA’s decision to focus on Chinese investors that led to Changxing’s collaboration with Kalmar is a source for creating guanxi. As Adlington and Campbell (1988) suggest, home governments can help build guanxi with Chinese. In this case, ISA’s work in China, supported by the Swedish government, strengthened Fanerdun’s initial perception about the opportunity in Kalmar. At the same time, Fanerdun felt its home government support through Changxing’s collaboration with Kalmar, and Changxing’s representative office in Kalmar in particular. These conditions contributed to Fanerdun’s confidence to realise its business idea, with help of local relationships, in Kalmar.

Building guanxi starts with trust and confidence in each other (Wong & Leung, 2001). This is seen as an important aspect during the initiation of the establishment process. As a representative of Kalmar, Gustafson communicated his region’s interests to Chinese investors during the Yangtze Delta River Business Forum. His decision to prolong his stay in Changxing showed his patience and willingness to commit to a cooperation with Fanerdun. Luo and Gustafson met during the year in several formal and informal meetings, and mutual trust has been developing between the two men. Thus, they felt confident in each other and therefore wanted to pursue collaborations; increasing from the initial investment in West Baltic Holding to choosing Kalmar as location for the convention centre.

6.3.2 Guanxi to more Investments

Wong and Leung (2001) state that Chinese dislike confrontations and rather try to understand the problem and come up with solutions. When discussing the conditions for prop-
property acquisitions, Luo had to accept many no’s from Kalmar Municipality. Instead of seeing problems, Luo turned the rejections into opportunities. This is in line with theory on Chinese characteristics (Wong & Leung, 2001). Kalmar, on its part, showed patience and thus accepted the Chinese business man’s behaviour. In addition, it should be kept in mind that even though the negotiations with Fanerdun coincided with the general and municipal election, Kalmar representatives took time for the Chinese. Luo and Fanerdun were prioritised and thus probably felt sincere interest from Kalmar’s side. In short, during the negotiations, mutual understanding and adaptations were visible. Kalmar offered its expertise and knowledge about the market and way of doing business in Sweden. In reverse, Fanerdun respected Swedish laws and tried to adjust plans accordingly.

Campbell and Adlington (1988) further discuss various other criteria that Chinese value when choosing business partners, such as preparation and familiarity. Kalmar’s invitations to private dinners and visits to local kindergartens enhanced the acquaintance between the two parties. Luo’s request for assistance in form of friendship further shows the importance of guanxi for the Chinese, thus excluding doubts of possible bribery and one-time business. We consider mutual trust as another reason for Fanerdun’s increased investments in Kalmar. Fanerdun, for instance decided to expand the convention centre area, while Kalmar used resources for accompanying the Chinese firm during its promotion tour in China and Europe. Also, the investments that Kalmar dedicate to developing supporting industries such as infrastructure and tourism, shows mutual gain.

More investments constitute more complexity and the increased activities within the Fanerdun project could have been limited due to language barriers. Campbell and Adlington (1998) explain the importance of language for the Chinese. When reflecting, ISA overcame the language problem by hiring local representatives in China. Changxing sent a Chinese representative to Kalmar to have a link between Chinese investors and Kalmar. During the initial negotiations it was enough for Kalmar representatives to communicate with Luo through interpreters and e-mail confirmations. The only direct communication Kalmar had with Fanerdun at that time was through Mah, Vice President of Fanerdun in Kalmar. But as complexity of the investment increased, more direct and detailed information exchange was needed. To facilitate the cooperation, Fanerdun employed Qian Yi as CEO assistant mainly because of her fluency in both Chinese and Swedish. Research by Campbell and Adlington (1998) discusses language as the core of Chinese culture, and we have found indications that it is an important variable in this establishment as well.

When Luo was in need of a CFO in Sweden, he hired Fust on recommendation from Kalmar. Hiring a Swede and turning to Kalmar for advice is yet another sign of commitment and trust from Luo. Further it also shows support from Kalmar by finding a local with experience in firm establishment.

To summarise, the pattern of relationship building discussed above shows several signs of guanxi development. Factors showed that Kalmar understands the importance of relationships for Chinese and therefore acted accordingly. Luo and Fanerdun appreciated Kalmar’s behaviour and, as one of the reasons, dedicated more resources to the initial investment plan. Hence, mutual help resulted in benefits for both.
7 Conclusions

This chapter will conclude the findings of our analysis.

The purpose of this thesis was to answer the questions why and how Fanerdun’s convention centre was realised in Kalmar. Here, both given and created factors are presented. The given factors of Kalmar that led to Fanerdun’s establishment are as follows:

- Location in Europe and the Baltic Sea region
- Low corporate tax
- Low investment costs
- Infrastructure capabilities
- Small city advantage

These direct pull factors partly represent why and how the convention centre was realised in Kalmar. The factors are not unique for Kalmar and were therefore not analysed. To understand what differentiated Kalmar from other location alternatives it is important to consider created factors that Kalmar actors and Fanerdun developed, together and independently.

- Regional network anticipation

From Kalmar’s perspective, the regional network anticipation explains why the establishment was realised. Preconditions and associated goals of Kalmar, namely growth in economic activities and population, led to that an international investor and/or entrepreneur was wanted. Through the influence of Fanerdun and other investors, a momentum of economic activities has started. This is expected to attract other investors and increase activities for existing firms; resulting in an agglomeration of supportive industries, hence the development of a regional network.

To answer how Kalmar attracted and chose Fanerdun as an investor, Kalmar’s participation in ISA’s venture in China that led to the agreement with Changxing province was the initial step. A regional network between the two regions started to develop, forming a precondition for how Fanerdun was chosen as an investor. This collaboration agreement restricted the choice of a foreign investor to companies from Changxing. When Fanerdun participated at the Yangtze Delta River Forum 2005, the relationship between the company and Kalmar representatives was initiated. The growing relationship later on confirmed and expanded Fanerdun’s investment.

The last regional network identified, within the Baltic Sea region, can be seen as an indirect effect on how Fanerdun was attracted. Kalmar’s network within this hot-spot increased the regions attractiveness. Consequently, the presence of Fanerdun is anticipated to positively influence the development of the Baltic Sea region’s network.

The three regional networks and their linkages can be seen as created factors. Relations within and between them all contributed to the realisation of the establishment.

- Internationalisation drives

From Fanerdun’s perspective, the answers to why and how Kalmar was chosen as location for its international establishment are interlinked. The striving for growth was present and
Conclusions

competition on the home market left internationalisation as the only choice. This was facilitated by ISA, which can be seen as a third party. ISA initiated the foundation of the collaboration between Kalmar and Changxing, which further resulted in the yearly business forum. At the Yangtze Delta River Forum 2005, the first contact between Fanerdun and Kalmar was made through matchmaking; hence a chance factor was present.

The resulting relationship with Kalmar representatives, in particular with Gustafson, created an advantage for Kalmar over other location alternatives. Since psychic distance in this study should be seen between the individuals of the organisations rather than between China and Sweden, the relationships were helpful to overcome cultural differences. Further, increased knowledge and commitment as well as growing mutual dependency between Fanerdun and Kalmar can be seen as interlinked, which resulted in an extension of investment from both sides.

- Presence of guanxi

A specific aspect in the relationship between Kalmar and Fanerdun is the concept of guanxi, which has to be considered when dealing with a Chinese firm and is appreciated by a Chinese counterpart when present. In this establishment process, mutual help from both sides contributed to the development of guanxi, which is another reason for how and why the convention centre was realised in Kalmar.

- Relationships

Overlapping findings from all analysed sections include the importance of relationships. Networks are based on relationships and relationships are established through interactions between people from organisations, thus through social relationships. These relationships communicate both market and business opportunities. In short, since the role of social relationships has been a dominant factor throughout all sections of the analysis, we conclude this to be the most important created factor for the realisation of the convention centre.
8 Final Discussion

This chapter will present our findings that were not helpful to answer our purpose. Still, the following aspects are important results of our research. This section will end with future research suggestions.

8.1 Reflections

We discussed critiques and limitations to network theories in our frame of reference in order to give a more comprehensive picture of theories and their limitations. The theories mentioned that managing risks and limitations are of importance if regional network is to be sustained. This aspect should be considered in Kalmar if regional goals are to be met. Kalmar needs to be aware of and take into account possible pitfalls. However, since the convention centre has not yet opened, we can only speculate about what could happen in the future.

In the thesis, certain limitations to the Uppsala model have been pointed out. Nevertheless, in our study we have found yet another constraint of the Uppsala model, not mentioned in earlier research. The model does not consider conglomerates with international experience in one business division, but not in another. We also found that most research on internationalisation using the Uppsala model concerns manufacturing firms, not those providing services.

In our study, it also became clear how important the presence of guanxi is when interfering with Chinese. Although we studied just one Chinese case, a generalisation of the importance of guanxi can be drawn since the concept is a fundamental of Chinese culture. It is therefore of importance that Western organisations are aware of this concept and its significance when aiming for a successful cooperation with Chinese.

The conclusions drawn in this study are of specific character, mostly valuable for the actors involved in the establishment; ISA, the Regional Council, Kalmar Municipality and Fanerdun. However, it might very well be applicable to future cases where Chinese companies enter the Swedish market, especially for firms and municipalities with little experience of a similar process.

Reflecting on our study, it has been an interesting process to follow since we have been able to take part of the initiation process of this large investment. It is impressive to see Kalmar representatives’ positive outlook of this project and that the Regional Council and Municipality have the courage to invest resources that the Fanerdun project requires. This establishment is new and unique for the Swedish market, which makes its outcome especially unpredictable.

Personally, we have also got a positive perception about Fanerdun’s establishment through our visits in Kalmar and through our research about the project. We anticipate a positive future for the region of Kalmar and we will follow the development of this project with great interests.
8.2 Future Research

As mentioned earlier, there are limitations to networks. Cook and Emerson (1978) point out the risk of negative connections (cited in Blankenburg & Johanson, 1992) and Izushi (2002) adds conflicts as a threat to networks. Lechner and Dowling (1999) further bring up coordination of goals and domination of one large firm as a possible risk for the existence of regional networks. As discussed in the analysis, several warnings towards a sustained regional network in Kalmar are present. In a couple of years, when the effects of Fanerdun are present, it will be interesting to see if and how Kalmar has dealt with these risks and evaluate the development of the regional network.

This thesis was written during the establishment process of the convention centre in Kalmar. Hence, it was not possible for us to examine the outcomes or if set goals were met. Therefore, when the centre has been built and its business has started it would be relevant to evaluate whether or not each actors goals have been accomplished.

As mentioned in our reflections it would be relevant to combine aspects of conglomerates and the Uppsala model to find out if and how the incremental steps are applicable to conglomerates’ internationalisation process. Also, the Uppsala model’s validity when studying service companies could be further researched.

As stated in the problem discussion, research with focus on Swedish firms entering the Chinese market can easily be found, while studies on Chinese firms entering the European market or their internationalisation process in general are rare (Yeung & Olds, 2000). Since the Chinese are becoming more and more present on the international market it would be interesting to study this phenomena more in depth, as their behaviour needs to be examined and understood.

We found that guanxi is a concept that is extensively studied by Chinese, such as by Fang as well as Wong and Leung. In addition, most studies focus on the importance of guanxi when Western firms enter China, but less is found on its importance when Chinese firms enter Western markets. In our opinion, also Western people should more actively study the power of guanxi. A specific suggestion for future research includes a comparative study on the importance of guanxi when a Western firm enters the Chinese market versus a Chinese firm entering the Western market.
References


References


References


References


Appendices

Appendix 1 – Fanerdun Co., Ltd. Group Structure

Fanerdun Co., Ltd.

- Fanerdun Tourism Group Co., Ltd.
  - Fanerdun Real Estate (Hangzhou) Co., Ltd.
  - Sino-Sweden Real Estate Co., Ltd.
  - Zhejiang Xinxing Construction Co., Ltd.
  - Zhejiang Xinxing Landscaping Engineering
  - Hangzhou Fanerdun Internet Technology

- Zhejiang Xinxing Electric Motor Car Group Co., Ltd.
  - Jinhua Xinxing Electric Motor Car Machine
  - Yiwu Fanerdun Machine Parts Co., Ltd.
  - Dongyang Dadong Electric Motor Car
  - Jinhua Fanerdun Combustion Engine Parts
  - Yiwu Xingfeng Power Machine Co., Ltd.
  - Jinhua Jinxing Combustion Roughcast Manufacture Co., Ltd.
  - Dalian Fanerdun Air Valve Manufacture
  - Chongqing Yateli Diesel Motor Manufacture
  - Dongyang Auto Electrical Appliance
  - Guixi Fanerdun Machine Manufacture

- Zhejiang Fanerdun Combustion Engine Group Co., Ltd.
  - Solna Pressgjuteri AB
  - Logpart AB
  - Electronic Paper AB
  - Abrasionproof paper AB
  - Special Paper AB
  - Fanerdun Herbal Health Care AB
  - Fanerdun Logistic AB
  - Fanerdun Hotel Management AB
  - Fanerdun Exhibit AB
  - Fanerdun Real Estate AB

Group Structure (Fanerdun Co., Ltd., 2006)
Appendix 2 – Interview Agenda, Thomas Davidsson

About the project

- Initiation of contact with Fanerdun
- Reasons for the initiation
- People and organisations involved in the project
- Description of Fanerdun
- Customer characteristics

Kalmar Municipality

- Kalmar’s economic situation
- Tasks of the project group
- Local’s opinions about the investment

Baltic Region

- Development of the Baltic Sea region
- Kalmar’s and Fanerdun’s role in its development

Process of establishment

- Explain the decision making process
- Difficulties during negotiations
- Fanerdun’s reasons for choosing Kalmar
- Content of contract

Competitors

- Fanerdun’s competitors in Europe

Future

- Name of the convention centre
- Future responsibilities for the Municipality
- Fanerdun’s significance for Kalmar’s development
- Regional network development in Kalmar
- The investments effect on infrastructure and current companies
- Expectations for the future
- Possible future risks

Can we mention your name in the thesis?
Appendix 3 – Interview Agenda, Kalmar representatives

**Personal background**
- Your position and background
- International experiences

**Organisational description**
- Tasks and earlier projects
- Kalmar economic development (goals and factors for growth)
- Cooperation between ISA, Regional Council and Municipality

**Fanerdun**
- Initiation of contact with Fanerdun (how, when and why)
- About Fanerdun
- Your position in the project

**Process of establishment**
- Kalmars’ criteria for the investment
- Fanerdun’s reasons for the establishment
- Your organisation’s task in the project
- Difficulties during the process
- Your cooperation with other actors within the project

**Future**
- Your organisation’s goals and expectations for the future
- Possible risks
- Competitors
- Cooperation with and development of Baltic Sea region
- Trends in China and Sweden

Can we mention your name in the thesis?
Appendix 4 – Interview Agenda, Fanerdun

Personal background

- Position and background
- International experiences

Fanerdun, the company in China

- Competition
- Customers
- Products
- History (previous experiences with international establishment)
- Facts and numbers

Fanerdun, the subsidiary in Sweden

- Business opportunities in Changxing province
- Fanerdun’s goal/purpose with the convention center in Kalmar
  - The concept, customers
- Initial business idea for convention centre (when, who and why)
  - What was the drive behind this business idea?
- Research and evaluation process of possible locations in Europe
  - Decision criteria
- Main alternatives to Kalmar (locations and people)
- Cooperation with Invest in Sweden Agency and other local authorities

The establishment process

- Negotiation process with Kalmar
- Business relationships
- Support from ISA, Regional Council and Kalmar municipality
- Distance (physical and cultural) between Sweden and China (advantages and disadvantages)
- Present situation of the project

Future

- Possible risks
- Future expectations
- Time frames (short-term, long-term plans and goals)

Can we mention your name in the thesis?
Appendices

Appendix 5 – Interview Agenda, Local Firms

Background

• Company name and industry
• General information about the company
• Your position in the company

Opinions about the Fanerdun establishment

• Positive/negative
• Regional collaboration in Kalmar
  - between companies and the Municipality/Regional Council
  - between companies
• The establishment’s effect on the region
• Information communicated about the investment
• Implications for your company
• Personal contact with Fanerdun

Can we mention your name in the thesis?